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|  PHILIPPINE RATING SERVICES CORPORATION | RATING REPORT |
| | Maynilad Water Services, Inc. |

Date: May 29, 2026
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MONITORING OF THE ISSUE CREDIT RATING OF THE COMPANY'S OUTSTANDING BOND ISSUANCES

| Amount | Interest Rate | Issue Date | Maturity Date | Assigned Rating and Outlook |
|------------------------------------------------------|---------------|---------------|---------------|--------------------------------|
| ₱9.0 billion | 6.71% | July 12, 2024 | July 12, 2029 | PRS Aaa, with a Stable Outlook |
| ₱6.0 billion | 7.09% | July 12, 2024 | July 12, 2034 | |
| Total of ₱15.0 billion Outstanding Blue 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** is defined as: "The rating is likely to be maintained and or to remain unchanged in the next 12 months."

RATIONALE

1. Exclusive right to provide water and wastewater services in its concession area

Maynilad Water Services, Inc. (Maynilad; the Company) continues to have the exclusive right to provide water and wastewater services in the West Zone of the Greater Metro Manila area. In June 2025, the Economy and Development Council, chaired by President Ferdinand Marcos, approved the 10-year extension of the Company's Concession Agreement (CA), moving its expiration from July 31, 2037 to January 21, 2047. With this extension, the CA's term expiration now aligns with its 25-year legislative franchise (Republic Act No. 11600). Maynilad, therefore, has a monopoly of service and faces no direct competition in its serviced area.

Additionally, as a provider of water - an essential product, Maynilad enjoys a relatively stable demand for its services and is less sensitive to economic cycles. As of end-June 2025, the Company provided water services to more than 10.5 million people in its concession area. As the population in the West Zone steadily grows until the end of the concession, Maynilad will continue to enjoy a stable demand for its services going forward.¹

¹ Business Plan for the 6th Rate Rebasing Period

2. Seasoned management with strong regulatory expertise, and solid parent support

The water industry in the country is highly regulated by the Metropolitan Waterworks and Sewerage System Regulatory Office (MWSS RO). The MWSS RO is mandated to monitor the CA and the concessionaires' performance regarding service obligations (SO). The regulatory body also determines and imposes the appropriate penalty for non-compliance with the SO. Rate adjustments, which are critical to the business of water concessionaires, are likewise subject to the recommendation of the MWSS RO and the approval of MWSS' Board of Trustees (BOT). Given this, the industry will continue to be subject to regulatory and political risks.

To navigate this environment, Maynilad is led by seasoned management who have demonstrated their capacity to handle such risks, as evidenced by the successful renegotiation of the CA and the further extension of its concession term. These events further equipped Maynilad's leadership with experience in operating in a highly regulated industry. Manny V. Pangilinan (MVP) is Maynilad's Chairman of the Board since 2007. He has been widely recognized locally and internationally for his business achievements and contributions to the country throughout his career. In addition, Ramoncito S. Fernandez, President and Chief Executive Officer (CEO) of Maynilad since 2016, has also been a director of Metro Pacific Investments Corporation (MPIC), Maynilad's parent, since 2009.

As of end-2025, MPIC was Maynilad's largest shareholder, owning 38.3% of the Company. MPIC is considered as one of the leading infrastructure holding companies in the country, with investments spanning across various industries, including: water, toll roads, power generation and distribution, light rail, logistics, healthcare services, and storage. Maynilad's Chairman, MVP, also sits at the helm of MPIC as Chairman and President. As a subsidiary of MPIC, Maynilad can benefit from MPIC's extensive network, experience, and expertise in leading regulated businesses. Additionally, DMCI Holdings, Inc. (DMCI), one of the leading engineering and construction companies in the country, held a 18.2% stake in the Company, making it its second-largest shareholder.

3. Sustained profitability and sufficient debt coverage

In 2025, Maynilad's top line grew by 9.4% to ₱36.6 billion, driven by the implementation of the third tranche of the MWSS-approved rate adjustment in January 2025. Total revenues were also bolstered by the implemented increase in environmental charge from 20% to 25% upon the Company reaching its target sewer coverage. Meanwhile, Maynilad's operating costs grew slower at 3.7%, resulting to the 13.7% increase in operating income to ₱21.7 billion. In 2025, the Company achieved an average non-revenue water (NRW) of 34.9%, an improvement from 39.9% in 2024. This NRW reduction led to savings on key operating costs – light and power, chemical costs, and reduced purchased water contracts. Maynilad's net income grew by 19.1% to ₱15.2 billion in 2025, from ₱12.8 billion in 2024.

Operating and net profit margins in 2025 similarly improved to 59.3% and 41.5%, respectively, up from 57.0% and 38.2% in 2024. Earnings before Interest and Taxes (EBIT) interest coverage and debt service coverage ratio (DSCR) remained more than sufficient at 9.8x and 4.5x, respectively, as of end-2025.

Maynilad sustained its growth momentum in the first quarter of 2026 (1Q2026), with its top line growing by 6.2% year-on-year (YoY) to ₱9.1 billion and its net income by 10.3% YoY to ₱4.0 billion. Continued improvements in the Company's service delivery and operational performance were observed, with both its water and wastewater coverage improving during the quarter. Average NRW further improved to 32.0%

in 1Q2026, reflecting sustained implementation of leak detection, pipe replacement, and network optimization initiatives.

4. Improved financial flexibility

Its legislative franchise requires Maynilad to publicly list its outstanding capital stock by January 2027, five years from the effectivity of the franchise in 2022. Ahead of the deadline, Maynilad listed its shares on the Philippine Stock Exchange (PSE) in November 2025, generating gross proceeds of ₱34.3 billion. This provides additional funding for Maynilad's ₱163-billion capital expenditure (CAPEX) program.

As of end-2025, the Company also had unused short-term loan lines from various local banks having drawn no short-term loans during the year.

Maynilad also received the first "Philippine Green Equity" label from the Securities and Exchange Commission (SEC), affirming its alignment with strict sustainability and green finance standards.² Having this label could improve Maynilad's visibility and the credibility of its sustainable initiatives, potentially attracting investor interest.

Collectively, these provide the Company with greater financial flexibility through a more diversified funding base.

5. Continuous cash collections from customers

As a provider of an essential service, Maynilad regularly collects cash from its customers, despite regulatory or economic disruptions. This provides the Company with recurring and a relatively steady revenue source.

Cash and cash equivalents, which have historically driven the movements in current assets, jumped to ₱21.9 billion as of end-March 2026. This is more than double the Company's cash balance as of end-2024, with the bulk of the IPO proceeds remaining unutilized. As a result, Maynilad's current ratio increased from 0.6x as of end-2024 to 0.8x as of end-March 2026.

The Company has been utilizing its cash from its operating activities to partially finance its CAPEX projects. For the sixth rebasing period (2023-2027), the Company committed to spend approximately ₱163 billion in CAPEX. Maynilad's liquidity is expected to remain manageable provided that it can continuously collect cash from its customers. It may also opt to reduce its discretionary operating expenses and prioritize essential CAPEX for production, if necessary.

² Under the Green Equity Framework, a company must derive at least 50% of its revenue and investments from green activities, keep fossil fuel-derived revenue below 5%, and ensure its activities comply with the eligibility criteria of the Sustainable Finance Taxonomy Guidelines or ASEAN Taxonomy for Sustainable Finance.

BUSINESS PROFILE

Company Background and History

Maynilad is the exclusive provider of clean water and wastewater services in the West Zone of the Greater Metro Manila area. As of end-June 2025, the West Zone area had a total population of 10.5 million and covered 540 square kilometers (sq km) of land area. It encompasses 17 cities and municipalities, namely: Caloocan, Malabon, Navotas, Valenzuela, parts of Quezon City, parts of Manila, parts of Makati, Pasay, Parañaque, Las Piñas, Muntinlupa, Bacoor, Imus, Kawit, Rosario, Noveleta, and Cavite City.³

Prior to the establishment of Maynilad, MWSS, a government instrumentality with corporate powers, was mandated to provide water services in Metro Manila. The water crisis experienced by Metro Manila in the early 1990s due to MWSS' poor coverage and inefficient service, however, eventually led to the privatization of the operations of MWSS. As a result, the responsibility to operate and improve the waterworks system was passed on to two private concessionaires, one of which was Maynilad. Established in 1997 as consortium of Benpres Holdings Corporation and Suez Lyonnaise de Eaux, the Company formally assumed control of MWSS' operations in the West Zone of Metro Manila. Due to the financial challenges faced by the Company as a result of the Asian Financial Crisis in 2005, the control of Maynilad was transferred back to MWSS. In 2006, the government re-privatized Maynilad again. DMCI-MPIC Water Company, a joint venture between MPIC and DMCI, won the competitive bidding and took over the operations of Maynilad. In 2013, Marubeni Corporation became a strategic partner.

Figure 1. Maynilad Concession Area



In November 2025, the Company listed its shares on the PSE. As a result, it raised ₱29.0 billion in gross proceeds, making it the second largest IPO in PSE's history. It reportedly received strong foreign-investor participation during its IPO. Maynilad is the second listed firm supported by Mobilising Capital through Listed Products (Mobilist) – an investment vehicle under the British Investment Partnerships program of the UK government. Mobilist invests in new listed products/companies that contribute to the attainment of the United Nations' Global Goals.

Maynilad was initially granted an exclusive 25-year CA over Metro Manila's West Zone (1997 to 2022). The CA defines the SO of the concessionaires. It also sets the concessionaires' SO targets, water rate adjustments, dispute resolution, and penalties. By virtue of the CA, the MWSS RO was established to protect the interest of consumers. The MWSS RO reviews, monitors, and enforces rates and service standards; arranges and reports regular independent audits of the performance of the Concessionaires; and monitors the infrastructure assets.⁴

After series of discussion and renegotiation, Maynilad and MWSS signed a revised CA (RCA) in May 2021, confirming the extension of the concession term until 2037. It was further extended by another 10 years

³ <https://www.mayniladwater.com.ph/investor-relations/>

⁴ <https://ro.mwss.gov.ph/transparency-seal/on-governance-matters/structure/>

to 2047 in June 2025. This is in line with the 25-year legislative franchise granted to the Company in 2022 under Republic Act No. 11600. With the signing of the RCA, Maynilad's status also changed from being an agent and contractor of MWSS to a public utility.

Legislative Franchise

As previously mentioned, Maynilad was granted a 25-year legislative franchise as a public utility to establish, operate, and maintain a waterworks system and sewerage and sanitation services in its concession area.

Highlights stipulated in RA 11600 include the following:

- The grant of authority to MWSS to extend the RCA term to coincide with the term of the franchise, if public interest so requires
- Non-recovery of Corporate Income Tax (CIT). The charges for water and wastewater services will no longer be subject to the 12% VAT, but will be subject to Other Percentage Tax (OPT)
- The completion of Maynilad's water and sewerage projects to attain 100% coverage by 2037
- To publicly list at least 30% of the Company's outstanding capital stock within five years from the effectivity of the franchise

While both the RCA and legislative franchise grant certain rights to Maynilad, these two differ in terms of nature and scope. A legislative franchise is granted to a company seeking to operate as a public utility through legislation enacted by the government.⁵ On the other hand, the CA functions as a contract between Maynilad and the government, obliging the former to provide water and sewerage services to the West Zone of the Greater Metro Manila area according to a detailed set of targets.

Rate Rebasing

Rate Rebasing is the process of adjusting water rates every five years. It determines the level of rates for water and sewerage services that permit the water concessionaires to recover its operating, capital maintenance, and investment expenditures over the life of the concession and earn a prescribed return thereon. The rate adjustment is subject to the review and recommendation of the MWSS RO and the approval of the MWSS BOT.

The MWSS BOT approved Maynilad's rate rebasing adjustment for the Sixth Rate Rebasing period (2023-2027). The implementation of the staggered tariff is subject to Maynilad's attainment of its targets for water supply and continuity and coverage as provided in the 2022 Approved Business Plan.

All tranches of the staggered tariff until 2026 (fourth tranche) have been implemented.

⁵ Other industries that require legislative franchises include telecommunications and broadcasting.

Table 1. Rate Rebasing (2023 - 2027)

| Effective date | Water Tariff per cu.m. No New Water Source | Water Tariff per cu.m. With New Water Source | Actual Average Rate increase per cu.m |
|-----------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------|
| January 1, 2023 | ₱3.29 | ₱3.29 | ₱3.29 |
| January 1, 2024 | ₱6.26 | ₱6.26 | ₱7.87 |
| January 1, 2025 | ₱2.12 | ₱2.12 | ₱3.83 |
| January 1, 2026 | ₱0.84 | 1.01* | ₱1.46 |
| January 1, 2027 | ₱0.80 | 1.01* | |
| | ₱13.31 | ₱13.69 | |

*Rate hike will vary depending on whether the new water source (Kaliwa Dam) is completed

In 2025, Maynilad was also granted an increase in environmental charge from 20% to 25% as the Company reached sewer coverage of 25% by the end of 2024.

Foreign Currency Differential Adjustment (FCDA)

FCDA is a tariff mechanism that allows Maynilad to recover losses or give back gains (by way of rebates) from fluctuations in the foreign exchange rates arising from its payment of foreign currency-denominated loans and fees. Effective April 1, 2026, Maynilad will increase its rates by ₱0.09 per cubic meter (cu.m).

Operations

Water Supply

Maynilad's primary business is to provide piped-in water supply to its customers through its network of facilities and conveyances. As of June 2025, 83.5% of the Company's raw water was sourced from the Angat Dam and Ipo Dam. These dams get their water from three rivers, namely: Umiray, Angat, and Ipo. Approximately 15.7% of Maynilad's water supply as of the same date came from the Laguna Lake – the largest lake in the country. The remaining 0.8% was sourced from the Imus River, Tullahan River, deep wells and treated effluents from the Company's water reclamation facilities (WRF). The extracted raw water from these dams underwent several treatment processes in the Company's treatment facilities before it passed the national standards for potable water.

Water Distribution and Facilities

As of June 30, 2025, the Company operated and maintained eight WTPs, three of which are modular treatment plants (MTP), with a total design capacity of 2,877 million liters per day (MLD) and operational capacity of 2,873 MLD. This was slightly higher than the reported capacity in the previous review as Poblacion WTP, which was partially operating in 2023, reached full capacity in early 2024. Anabu, one of Maynilad's three MTPs, likewise increased its operational capacity from 5 MLD to 12 MLD.

Table 2. Existing Water Treatment Plants

| Water Treatment Plant (WTP) | Design Capacity (MLD) | Commissioned Year | Location | Technology |
|-------------------------------------|-----------------------|-------------------|-------------------------------------------|-----------------------------------------------------------------------------------|
| La Mesa Water Treatment Plant 1 | 1500 | 1982 | La Mesa Compound, Novaliches, Quezon City | Conventional Type Water Treatment |
| La Mesa Water Treatment Plant 2 | 900 | 1995 | La Mesa Compound, Novaliches, Quezon City | Conventional Type Water Treatment |
| Putatan Water Treatment Plant 1 | 150 | 2019 | Putatan, Muntinlupa City | Ultrafiltration, and Reverse Osmosis |
| Putatan Water Treatment Plant 2 | 150 | 2019 | Putatan, Muntinlupa City | Ultrafiltration, and Reverse Osmosis |
| Poblacion Water Treatment Plant | 150 | 2023 | Muntinlupa City | Ultrafiltration, Reverse Osmosis |
| Anabu Modular Treatment Plant* | 16 | 2021 | Imus, Cavite | Hydropaq Clarifier, Ultrafiltration, and Reverse Osmosis |
| Paranaque NEW WATER Treatment Plant | 10 | 2022 | Parañaque City | Pressurized Media Filtration, Ultrafiltration, and Reverse Osmosis |
| Valenzuela Modular Treatment Plant | 1 | 2023 | Valenzuela City | Dissolved Air Flotation, Multimedia Filters, Ultrafiltration, and Reverse Osmosis |
| Total | 2,877 | | | |

*operating capacity as of June 30, 2025 is 12 MLD

Treated water supply from the treatment plants is distributed by gravity, pumping, or a combination of both. As of end-2025, Maynilad pipeline network (primary, secondary, and tertiary) was 7,862.9 kilometers (km), up by 3.8% from 7,596 km as of end-2023. It also operates and maintains 39 reservoirs and 41 pumping stations.

Wastewater Services

In addition to providing water services, Maynilad is also mandated to provide wastewater services to the West Zone of the Greater Metro Manila area. Parts of Maynilad's concession area are connected to the Company's sewerage network to facilitate efficient collection and transport of wastewater from end-users to the treatment facilities. Such service is also provided to prevent the pollution of streams and other bodies of water.

Maynilad operates and maintains several sewerage systems located in Manila, Quezon City, Caloocan-Malabon-Navotas (CAMANA), Muntinlupa, Pasay, Parañaque, and Valenzuela.

Customers in the non-sewered areas, on the other hand, are provided with septic tank cleaning or sanitation services. Maynilad offers programmed desludging and on-demand desludging.⁶ Such services include the collection and transport of septage from individual septic tanks to Maynilad's septage treatment facilities at regular intervals or once every five years.

As of end-2025, the Company is operating and maintaining 25 wastewater treatment facilities with a total sewage treatment capacity of 790 MLD and a total septage treatment capacity of 1,190 CMD. The Valenzuela Water Reclamation and Recycling Facility and Tunasan WRF in Muntinlupa were the newly completed facilities since the last review.

⁶ Programmed desludging is a pro-active desludging service in an identified programmed area while desludging-on-demand is a desludging service rendered upon the request of customers.

Subsidiaries

Maynilad has two subsidiaries, namely Philippine Hydro, Inc. (PhilHydro) and Amayi Water Solutions, Inc.

Philippine Hydro, Inc.

PhilHydro is a wholly-owned subsidiary of Maynilad since 2012. PhilHydro owns and operates four WTPs responsible for the supply of treated water to Legazpi City Water District in Albay; Norzagaray, Santa Maria, and Bocaue Water Districts in Bulacan; and the municipal waterworks of Bambang, Nueva Vizcaya. PhilHydro also operates the water supply and distribution system in Rizal, a municipality in Nueva Ecija. All of PhilHydro's WTPs operate under public-private partnership (PPP) contracts with the government, either through the local government units (LGUs) or government-owned and controlled corporations (GOCCs), such as water districts.

Amayi Water Solutions Inc.

Amayi Water Solutions, Inc., also called Maynilad BOAC, is engaged in the distribution of water in Boac, Marinduque under a 25-year CA. The CA covers financing, rehabilitation, development, expansion, improvement, operation, and maintenance of the water supply system in 41 barangays in Boac.

Maynilad BOAC's CAPEX projects focus on the rehabilitation and expansion of the existing water system in the municipality. Maynilad BOAC aims to install new pipelines to extend its services to 15 more barangays. Such is expected to increase its service coverage from 24% to 74% by the end of its concession. Maynilad BOAC also intends to increase its water supply through the rehabilitation of two existing deep wells and the construction of eight new deep wells.

Customers

Maynilad is the largest private water concessionaire in the Philippines in terms of customer base in a single concession area. As of end-March 2026, Maynilad had 1,580,605 billed water services, a 0.4% increase from end-December 2025.

Water and sewer service accounts are classified into four categories, namely, residential, semi-business, commercial, and industrial. Please refer to Figure 2 for more information on customer classification. As of end-June 2025, domestic customer continued to account for more than 95% of the Company's total billed connections.

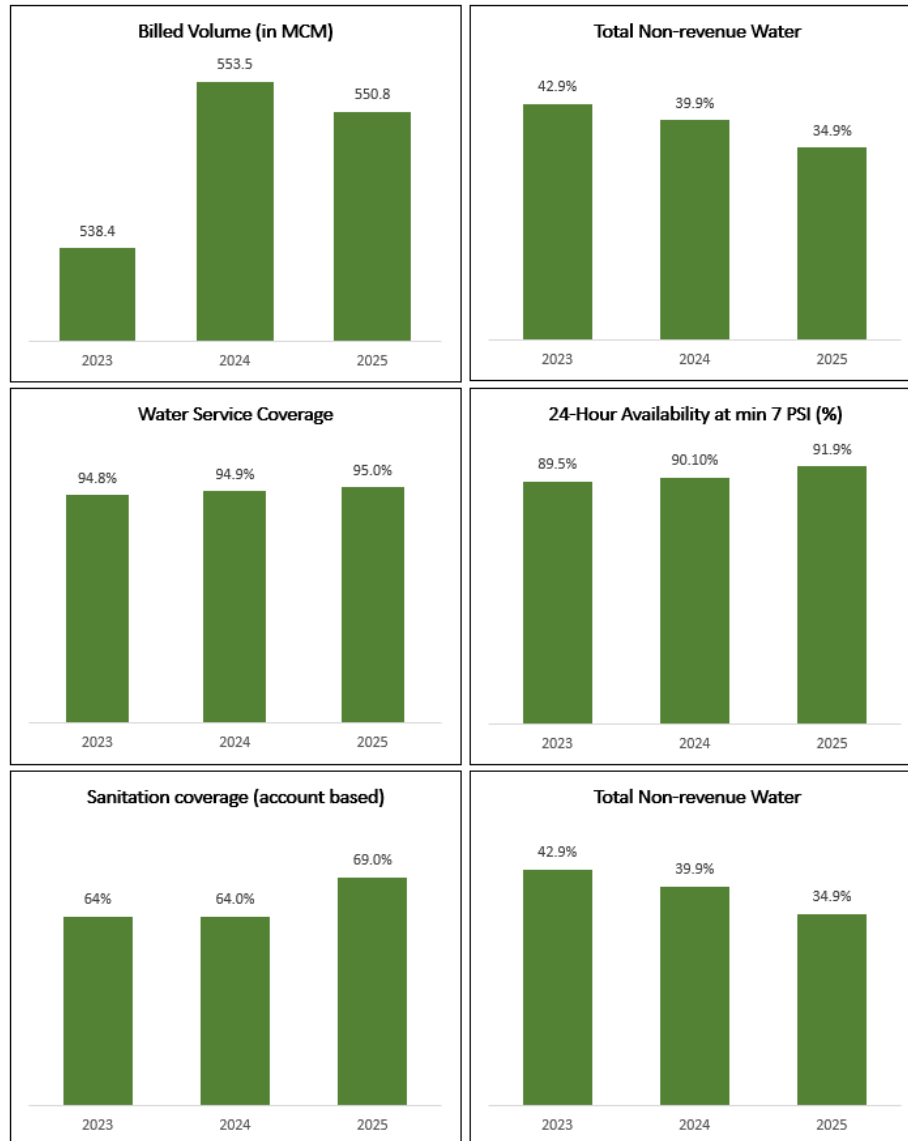
As of end-2025, domestic accounts (residential and semi-business) comprised more than 80% of the Company's total billed volume. While non-domestic (commercial and industrial) customers accounted for the remaining 20%, such accounts contributed significantly to revenues, representing 41.6% of Maynilad's total revenues for the year. Commercial and industrial customer categories are subject to higher tariffs than residential users.

Figure 2. Customer Classification



Operating Highlights and Targets

Figure 3. Key Operational Indicators



Maynilad continued to derive most of its revenues from water supply, which accounted for 78.9% of the Company's total revenues in 2025, while the remaining 21.1% came from wastewater services. In terms of growth, however, revenues from wastewater services increased at a faster pace, posting a 28.8% increase in 2025, compared with water service revenues which grew by a modest 5.2%.

In 2025, Maynilad's total billed volume marginally declined (-0.5%) to 550.8 million cubic meters (mcm), from 553.5 mcm in 2024.⁷ Such decline was attributable to the reduced industrial consumption, the effect of government restrictions on Philippine Offshore Gaming Operators (POGOs), and the transfer or closure of two large commercial accounts in the West Zone. Nonetheless, the 2025 billed volume remained higher compared to the 538.4 mcm as of end-2023.

The Company also continued to deliver its SO in 2024 and 2025. While the Company incurred penalties relating to service interruptions and water turbidity within its concession, such were very minimal relative to the revenues generated.

Maynilad's NRW, the volume of water lost in distribution system due to leakage, illegal connections, and/or metering errors, improved in recent years. The Company's average total NRW improved from 42.9% in 2023 to 34.9% in 2025. The replacement of the Company's old or legacy pipes was one of the primary contributors to the improvement in NRW. As of June 30, 2025, Maynilad had already replaced 3,313 km or 72.4% of its legacy pipes.⁸

The Company targets to reduce its total average NRW to 29% by end-2026, 25% by end-2027 and 20% by end-2030. Going beyond this level may no longer be practical as the costs would already outweigh the expected benefits.

PhilRatings notes that both sewerage and sanitation coverage improved since the previous review. Sewerage coverage improved from 23% in 2023 to 27% in 2025, while sanitation coverage improved from 64% to 69% over the same period. Water service coverage, on the other hand, was steady at approximately 95% as of end-2025, in line with the target set for the year. Maynilad targets to achieve 95.1% water coverage in the West Zone by 2026 and 95.5% by 2027.

As of end-2025, the storage capacity of its reservoir was 779 million liters, up from 750 million in the previous review. The Company aims to increase this to 960 million by 2026.

In 1Q2026, the Company's total billed volume increased to 136.1 mcm, a 2.3% improvement from the same period of 2025. This was driven by the domestic accounts, which posted a 3.0% growth. Continued improvements in service delivery and operational performance were also observed during the quarter. Water coverage and water supply improved to 94.9% and 91.5%.

Average NRW further declined to 32.0% in 1Q2026, from 37.8% in 1Q2025, reflecting sustained implementation of leak detection, pipe replacement, and network optimization initiatives.

⁷ Billed volume is the amount of treated water that is produced, delivered and sold to customer.

⁸ Maynilad's legacy pipes spanning 4,576 km dates back to pre-war Manila and was inherited by the Company from the government.

Should the proposed four-day work week push through, the total billed volume is likely to remain relatively unchanged even as the customer mix shifts. In terms of expected risks, management shared that the Company is preparing for a potential Super El Niño towards the end of the year.

Strategies

As a water concessionaire, Maynilad is obliged to fulfill a set of SO on water, sewerage and sanitation services. The general obligation regarding the provision of water services included: water supply and new connections, continuity of supply, the obligation to make connections to a water main, and compliance with drinking water quality standards. NRW was also added as a new SO.⁹

To achieve its SO, the Company has a ₱163-billion CAPEX program which covers projects that will improve its operation and efficiency in the West Zone.¹⁰ Bulk of the committed CAPEX for 2026 and in recent years were allocated to wastewater improvements/projects.

Table 3. Target vs. Actual Commitment Projects

| Sixth Rate Rebasing Period | 2023 | 2024 | 2025 | 2026 | 2027 |
|----------------------------|---------|---------|---------|---------|---------|
| Approved CAPEX allocation | ₱26,028 | ₱31,356 | ₱38,860 | ₱34,590 | ₱32,417 |
| Actual CAPEX Spent | ₱26,031 | ₱25,746 | ₱26,878 | - | - |

Aside from delivering its SO, Maynilad is also looking at expanding its wastewater services to existing commercial and industrial customers and its water services to the reclamation area in Manila Bay and the adjacent underserved local government units (LGUs). At present, Maynilad is preparing for the seventh-rate rebasing period (2028-2032), with the business plan to be submitted and negotiated with the regulators in 2027.

Plans for Water Services

As of end-June 2025, Maynilad has five ongoing water treatment facility projects. These will increase the Company's total treatment capacity to 3,215 MLD by 2028.

Table 4. Ongoing Water Projects

| Water Treatment Plant | Design Capacity (MLD) | Status of completion* (as of end-June 2025) |
|-----------------------------------------|--------------------------|------------------------------------------------|
| Water Treatment Plant (Near Laguna Bay) | 300 | N/A |
| Pasay New Water MTP | 12 | 81% |
| Julian MTP | 3 | 90% |
| Molino MTP | 5 | 94% |
| Ligas MTP | 18 | 2% |

*Percentage of completion refers to the design and actual construction of the facility. This excludes the commissioning phase.

To ensure a continuous water supply in the future and to reduce Metro Manila's heavy reliance on Angat Dam, which currently supplies more than 83% of the region's water, new water sources need to be developed. To address this, the MWSS is developing the New Centennial Water Source - Kaliwa Dam Project (Kaliwa Dam Project). This ₱15.3 billion-project is the initial phase of the Integrated Laiban-Kaliwa

⁹ NRW reduction has been a key part of Maynilad's internal scorecard in the past, but was officially included as a SO in the RCA.

¹⁰ CAPEX levels are not SO targets. SO are met through the timely and effective implementation of priority projects aligned with the Company's approved business plans. Moreover, the final annual CAPEX schedule will still be determined and subject to Maynilad's Board approval.

Dam Project which is expected to have a combined total capacity of 2,400 MLD. The Kaliwa Dam Project covers multiple municipalities in Rizal and Quezon province and will serve as a new water resource that will help reduce the region's dependence on the Angat Dam. It is expected to yield 600 MLD which will be equally allocated between Manila Water and Maynilad. The completion of the Kaliwa Dam project, however, is expected to slide, from the initial target of 2027. According to a MWSS project director, the construction delay was due to the technically challenging terrain, funding uncertainties, and issues in securing environmental permits, among others. As of end-2025, the project construction was at 26%.¹¹

In line with the delay in the MWSS' Kaliwa Dam project, Maynilad updated its plan regarding the water treatment plant in Teresa, Rizal—originally chosen for its proximity to the project—opting to relocate the facility to a site near its concession. According to Maynilad's Chief Operating Officer, the relocation is expected to lead to better operational efficiencies, particularly as the said relocation is expected to mitigate risks associated with additional NRW. Nonetheless, this project is expected to be completed within three to four years, coinciding with the timeline for the Kaliwa Dam project.¹²

Pasay NEW WATER Treatment Plant, Maynilad's second NEW WATER Project, is designed to process raw water sourced from the effluent of the Pasay WRF.¹³ Maynilad also intends to expand the capacity of Parañaque NEW WATER facility. The details of the Parañaque expansion and the Muntinlupa NEW WATER facility, however, is still being finalized.

Other water source developments include the construction of three MTPs in Cavite. These small-scale treatment plants will serve as a dedicated supply source for these underserved areas in Cavite. These projects are initially expected to start operating in the latter part of 2024 to early 2025. The said projects, however, are still under construction as of report writing date.

To further improve its NRW, the Company intends to continue its ongoing leak repairs and pipe replacements.

Plans for Wastewater Services

The general obligations regarding the provision of sewerage services include: supply of sewerage service, compliance with wastewater standards, and septic and sanitation cleaning. In 2026, the goal is to achieve 100% wastewater coverage, with 33% sewer and 67% sanitation coverage. The Company further aims to reach 34% sewer and 69% coverage by 2027. It is worth noting that as of end-2025, Maynilad already achieved a 69% sanitation coverage.

The Company also intends to expand its wastewater operations by constructing five new sewage treatment plants with an additional capacity of 314 MLD and laying 60 km of sewer lines by 2027.

¹¹ <https://www.bworldonline.com/corporate/2026/02/11/729708/kaliwa-dam-project-set-for-2028-completion-mwss-says/>

¹² <https://mb.com.ph/2026/03/02/maynilad-reconsiders-30-billion-plant-site-to-sync-with-kaliwa-dam>

¹³ The New Water project involves recycling used water and converting it into potable water. Once converted, it will be blended with the water supply in the Company's distribution system.

Table 5. Ongoing Wastewater Projects

| | Daily Capacity (in cu.m) | Status of completion* (as of end-June 2025) |
|-----------------------------|-----------------------------|------------------------------------------------|
| Cupang WRF | 46,000 | 99% |
| CAMANA WRF | 205,000 | 87% |
| Manila North WRF | 180,000 | 24% |
| Las Piñas WRF | 88,000 | 58% |
| Ayala Southvale Village WRF | 710 | 63% |

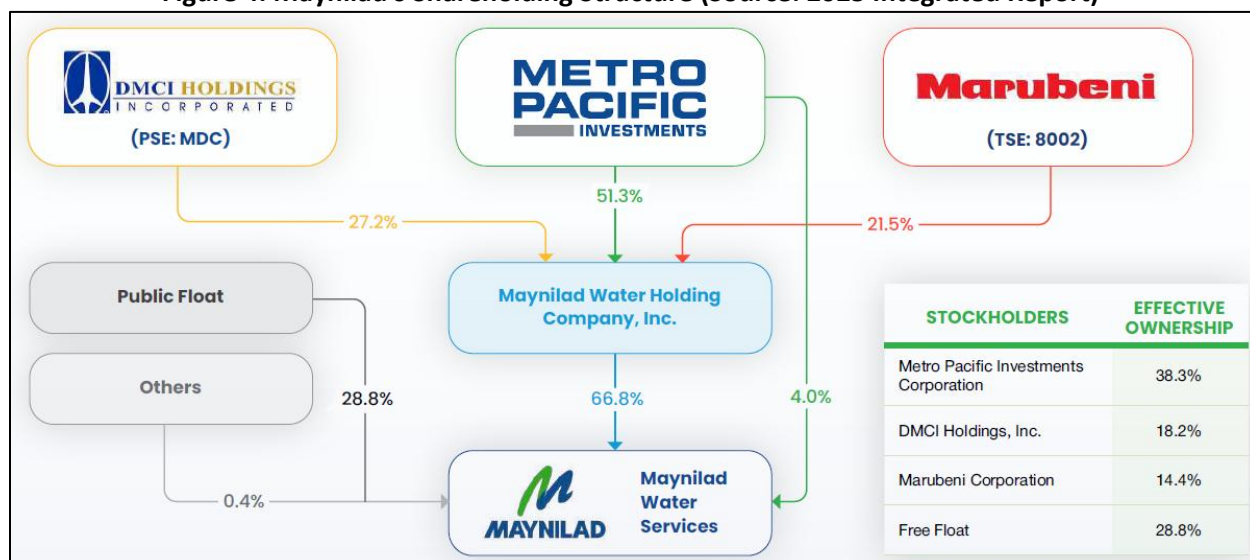
*Percentage of completion refers to the design and actual construction of the facility. This excludes the commissioning phase.

Ownership

Maynilad is a subsidiary of Maynilad Water Holding Company, Inc (MWHCI), a joint venture between MPIC, DMCI, and Marubeni. With the completion of the IPO, MWHCI’s ownership in Maynilad dropped from 94.4% to 66.8% as of end-2025.

Meanwhile, MWHCI was 51.3% owned by MPIC, 27.2% owned by DMCI, and 21.5% owned by MCNK JV Corporation (MCNK, a subsidiary of Marubeni) as of end-2025. PhilRatings notes that MWHCI’s parent, MPIC, also held a direct interest of 4.0% in Maynilad as of the same period. Given such, MPIC’s effective interest in Maynilad stood at 38.3%.

Figure 4. Maynilad's Shareholding Structure (Source: 2025 Integrated Report)



MPIC¹⁴

MPIC is one of the leading infrastructure holding companies in the Philippines. MPIC’s asset portfolio includes investments in water, toll roads, power generation and distribution, light rail, logistics, healthcare services, and storage. As of end-March 2025, MPIC owned 47.5% of Manila Electric Company (Meralco), 93.3% of Metro Pacific Tollways Corporation (MPTC) and 20.0% of Metro Pacific Health Corporation (MPH), among other assets.

¹⁴ <https://business.inquirer.net/578708/mpic-core-profit-rises-15-to-p27-1b-in-2025>

In 2025, MPIC recorded robust performance with its consolidated core net income rising by 15% to ₱27.1 billion, from ₱23.6 billion in 2024. Such increase was attributed to the solid performance of Meralco's power generation business, higher tariffs at Maynilad, and rising patient volumes within the Metro Pacific Hospitals network. Among MPIC's core businesses, the power segment continued to account for the largest share, contributing ₱22.1 billion (69%) of the company's net operating income, followed by water at ₱7.2 billion (22%) and toll road at ₱6.1 billion (19%).

Notwithstanding the sustained growth across its portfolio, MPIC's net income declined by 5% as the prior year had a one-time gain from a subsidiary. At the parent level, MPIC's total cash and short-term investments dropped from ₱11.5 billion as of end-2024 to ₱7.9 billion as of end-2025.

In November 2025, MVP disclosed that the group is exploring the potential acquisition of PrimeWater Infrastructure Corp. (PrimeWater) of the Villar family. In the following month, however, it was disclosed that Crystal Bridges Holding Corp., an investment firm owned by the Lucio Co Group, had fully acquired PrimeWater.¹⁵

DMCI

DMCI is a domestic engineering and construction company. It operates in four key construction segments: building, energy, infrastructure, and utilities. DMCI's consolidated net income (after non-controlling interest) dropped by 20% from ₱19 billion in 2024 to ₱15.1 billion in 2025. While the company generated stronger results from its real estate, construction, water, nickel mining, and off-grid power businesses, these gains were offset by weaker contributions from its integrated energy business and losses from its cement operations. In 2025, Semirara Mining and Power Corp. remained to be DMCI's biggest earnings driver. Its contribution, however, fell in 2025 due to impact of softer coal and power prices. Additionally, Concreat Holdings Philippines (formerly Cemex Holdings Philippines; Concreat) which was also majority-owned by DMCI continued to face financial pressures. In 2025, Concreat's net loss attributable to DMCI amounted to ₱1.9 billion on account of higher financing costs and weaker selling prices.

Marubeni

Marubeni is a major Japanese integrated trading and investment conglomerate engaged in a broad range of businesses across diverse sectors. For fiscal year (FY) ended March 31, 2025, Marubeni recorded a net profit of ¥515.0 billion (₱194.0 billion), a modest 6.7% increase from ¥482.5 billion (₱181.8 billion) in FY2024. While Marubeni recorded a 7.4% increase revenue – mainly from power, metals & mineral resources, and energy, its operating profit for FY2025 was slightly lower (-1.5%) at ¥272.3 billion (₱102.6 billion). Nonetheless, Marubeni's ¥45.7-billion (₱17.2 billion) gain from foreign currency translation adjustments associated with the end of the Qatar liquefied natural gas project helped bring its net income up for the period.¹⁶

For the nine-month period ended December 2025, Marubeni's operating profit continued to decline, dropping by 14.3% to ¥190.6 billion (₱71.8 billion) despite its 7.9% top line growth, as profit was weighed down by the higher selling, general, and administrative expenses. Nonetheless, net income posted a marginal increase to ¥443.2 billion (₱167.0 billion), up by 1.9% from ¥434.9 billion (₱165.7 billion) driven

¹⁵ <https://business.inquirer.net/564704/lucio-co-group-to-take-over-villars-primewater>

¹⁶ <https://www.marubeni.com/en/news/2025/release/data/202505021-1E.pdf>

by the company's significant gain arising from the integration of its domestic real estate business with Daiichi Life Holdings.¹⁷

As of November 2025, Marubeni's rating from S&P Global (S&P) was upgraded from BBB+ (positive) to A- (Stable).¹⁸ Moody's, on the other hand, affirmed its Baa1 (Stable) Rating to Marubeni in July 2025.

Management

There has been no significant change in the Company's top management since the previous review and following the IPO.

Manuel V. Pangilinan is Maynilad's Chairman since 2007. He has extensive experience in the management and operation of companies across a wide range of industries, including telecommunications, energy, water, toll roads, rail, hospitals, mining, food, and agriculture. He also serves as the Chairman of the Board of Directors of MPIC, PLDT Inc. (PLDT), Meralco, PXP Energy Corporation (formerly Philex Petroleum Corporation), and Philex Mining Corporation. In addition, Mr. Pangilinan holds the position of President and Commissioner of P.T. Indofood Sukses Makmur (Indofood), the largest food company in Indonesia. Indofood operates under the First Pacific Group, which Mr. Pangilinan founded in 1981. He likewise serves as its Managing Director and CEO.

Mr. Pangilinan has been widely recognized locally and internationally for his business accolades and contributions to the country throughout his career. He graduated cum laude from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He also has a Master of Business Administration (MBA) degree from the Wharton School of the University of Pennsylvania.

Mr. Isidro A. Consunji is Maynilad's Vice Chairman since January 2007. He currently serves as the Chairman, President and CEO of DMCI. Mr. Consunji also serves as a member of the Board of Directors of various mining, construction, and power companies, such as Semirara Mining and Power Corp., D.M. Consunji, Inc., Southwest Luzon Power Generation Corp., among others. Mr. Consunji obtained his Bachelor's Degree in Civil Engineering from the University of the Philippines. He earned his Master of Business Economics degree from the University of Asia and the Pacific and Master of Business Management from the Asian Institute of Management. He also took an Advanced Management Program at IESE School in Barcelona, Spain.

Ramoncito S. Fernandez is the President and CEO of Maynilad since January 2016. Mr. Fernandez has been with the MVP Group since 1994, initially in its packaging business and later at PLDT and Smart Communications, Inc. Prior to his appointment as Maynilad President and CEO, he served as the President and CEO of MPTC and Tollways Management Corporation (TMC), through which he expanded MPIC's toll roads portfolio. He earned a Bachelor of Science degree in Industrial Management Engineering from De La Salle University and Master of Business Management from the Asian Institute of Management.

Ricardo F. de los Reyes is Maynilad's Chief Finance Officer (CFO) since 2017. Before he joined Maynilad, Mr. de los Reyes worked at IBM Analytics Solutions Lab Services in North America, helping introduce system-enabled enterprise reporting, performance management, data mining/predictive modelling and optimization solutions at various global corporations. He also has 15 years of extensive experience in

¹⁷ <https://www.marubeni.com/en/news/2026/release/20260209E.pdf>

¹⁸ <https://www.marubeni.com/en/news/2025/release/00042.html>

Finance, having held senior management posts at United Laboratories, Inc. and Johnson and Johnson. Mr. de los Reyes obtained his Commerce Degree in Finance, Master of Business Administration (MBA) degree and his Juris Doctor (Law) degree from Santa Clara University in California, USA. He is also a member of the California Bar.

Environmental, Social, and Governance

Maynilad's main product, water, is a limited natural resource. As such, the Company continuously develops programs to harness this resource in sustainable, environmentally, and socially sound ways.

In 2024, the Company established a Sustainable Finance Framework aligned with the United Nations' Sustainable Development Goals, to outline its approach to finance projects that aim to deliver positive environmental and/or social outcomes. Maynilad also issued its maiden Blue Bonds in July 2024. This is the country's first SEC-registered Blue Bonds.

The NEW WATER Project is the Company's landmark initiative to provide sustainable solutions and address the water supply crisis, making Maynilad the first company to produce drinkable reused water in the country and the first to introduce the "direct potable reuse" initiative in Asia.¹⁹ The Company's water laboratory facility, WATERlab in La Mesa Compound in Quezon City, which was upgraded in 2021, also earned My Green Lab Certification in 2025.²⁰

"Plant for Life", the Company's flagship environmental project aimed to rehabilitate watersheds around Angat, Ipo, and La Mesa, also grew to a large-scale reforestation and afforestation program that includes areas along the Manila Bay Coast and Laguna Lake. As of 2025, over 1.6 million trees and mangroves have been planted, up from 1.0 million trees in the previous review. Additionally, the Company has reforested 1,664 hectares of land since 2023, translating to approximately 24,700 tCO₂ carbon sink.

Maynilad also aims to achieve climate neutrality by 2037. To achieve such, it targets to source 35% of its power requirements from renewable energy. The Company also seeks to transition 50% of its fleet to electric vehicles and to have a carbon sink of 180,000 tCO₂. In 2025, it partnered with MPower, the local retail electricity supply arm of Meralco, to deliver power to Poblacion WTP and several other water and wastewater facilities. Maynilad currently have two solar power farms in La Mesa – unchanged from the previous review. The Company's energy consumption from RE sources, however, declined to 43,446 gigajoules (GJ) in 2025, from 90,209 GJ in 2024, as it recalibrates the renewable mix in preparation for its RE transition plan.

The Company also supports three social enterprises, namely, Green Badge, Kapwa, and Sining Ipo. Kapwa produces handwash, soap, and other sanitation products, while Green Badge repurposes old Maynilad uniforms into face masks, tote bags, and plush toys. These programs provide Kapwa and Green Badge members an opportunity to earn extra income ranging from ₱1,500.00 to ₱4,000.00. Sining Ipo, on the other hand, is an alternative livelihood program for the Dumagats, the indigenous community in the Ipo watershed. Part of the Sining Ipo initiative involves training the Dumagats in sculpture-making and woodcraft as alternative livelihoods to slash-and-burn farming.

¹⁹ Direct potable reuse: Involves the treatment and distribution of water without environmental buffer such as aquifers, lakes, or wetlands.

²⁰ My Green Lab is a science-based approach with clear assessment tools, verified reporting, and practical guidance to help laboratories of all kinds embed sustainability into everyday practice

In 4Q2025, Maynilad was given a "Medium Green" assessment by S&P. Such is expected to be maintained until 2028. The Company also received the first "Philippine Green Equity" label from the Securities and Exchange Commission (SEC), affirming that more than 50% of revenues and investments support environmentally sustainable activities.

Other update/s since the last review

In early 2025, the Commission on Audit (COA) required MWSS Central Office (MWSS-CO) to show proof of collection of government’s claims from Maynilad.²¹ This issue dates back to 2001, when Maynilad ceased to remit concession fees due to financial difficulties. In 2005, the Rehabilitation Court approved Maynilad’s rehabilitation plan, which included the restructuring of its debt. As such, the MWSS-CO requested the COA to approve its recommendation to write off the penalty costs from its books, citing the Rehabilitation Court. The Office of the Government Corporate Counsel (OGCC), however, said that the claims of the MWSS against Maynilad remained valid, despite the Rehabilitation Court’s order.

The alleged government claims from Maynilad amounted to ₱5.1 billion, consisting of ₱4.0 billion borrowing costs and ₱1.1 billion penalties due to delayed remittance of concession fees.

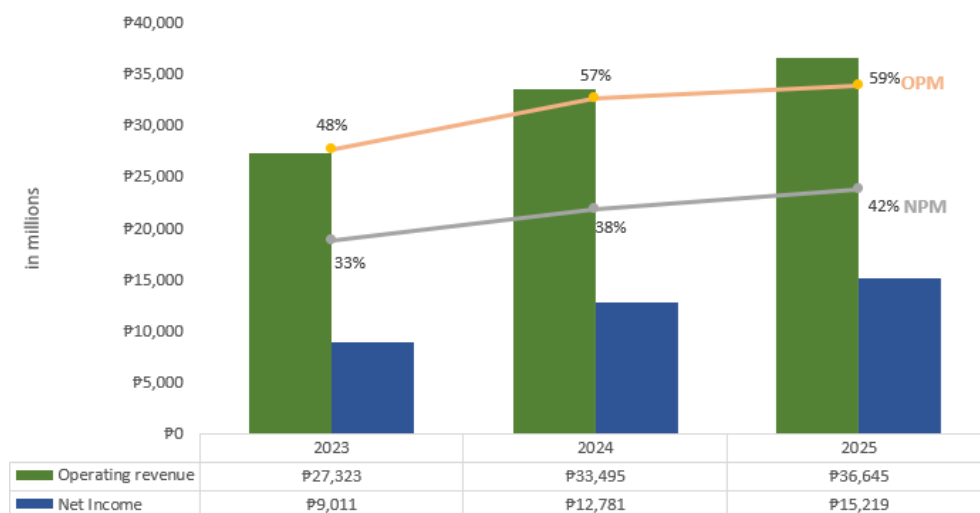
As of report- writing date, Maynilad has not issued any public statement on the matter. PhilRatings will continue to monitor any developments on this matter.

FINANCIAL REVIEW

Analysts’ Note: PhilRatings’ calculation of certain ratios may differ from that of the Company.

Profitability

Figure 5. Profitability



²¹ <https://www.abs-cbn.com/news/business/2025/1/8/mwss-told-to-collect-p5-1-billion-govt-claim-from-maynilad-1506>

2025 vs 2024

Despite the marginal decline in billed volume in 2025, Maynilad managed to grow its revenue by 9.4% to ₱36.6 billion. Such growth was driven by the third tranche of the MWSS-approved rate adjustment implemented in January 2025. The implemented increase in environmental charge from 20% to 25% also contributed to the Company's higher total revenues.

Maynilad's operating costs continued to grow at a slower pace of 3.7%, resulting to further improvements in its operating income. According to management, NRW reduction has led to savings on key operating costs – savings on light and power, chemical costs, and reduced purchased water contracts. Operating income in 2025 amounted to ₱21.7 billion, 13.7% higher than the previous year. Similarly, OPM went up to 59.3%. The EBIT interest coverage and DSCR remained more than sufficient at 9.8x and 4.5x, respectively.

Interest expense declined further (-7.7%) in 2025, reaching ₱2.2 billion. As such, Maynilad continued to record strong bottom line growth in 2025, with net income increasing by 19.1% from ₱12.8 billion in 2024 to ₱15.2 billion. NPM also improved from 38.3% in 2024 to 41.5% in 2025.

Projected Period

While Maynilad expects a recovery in billed volume, total revenues are seen to grow modestly over the projected period, given the lower tariff adjustments scheduled for the remainder of the sixth rate-rebasing period.

In the next two years, net income is expected to record a modest average growth, supported by top line expansion and lower interest expense, as a significant portion of such is expected to be capitalized.

Should the ongoing Middle-East conflict be prolonged, potential supply disruptions and increased cost pressure might arise. The impact on Maynilad's margins, nonetheless, will not be significant. OPM and NPM are projected to remain at healthy levels over the projected period.

Liquidity and Cash flow

2025 vs 2024

In 2025, net cash flow used in operating activities amounted to ₱4.3 billion, an improvement from the ₱5.2-billion outflow in 2024. Cash from operating activities, excluding SCA, remained strong at ₱21.0 billion. No significant movement was seen in the Company's investing activities in 2025.

Maynilad's IPO generated gross proceeds amounting to ₱29.0 billion, making it the second largest IPO in PSE's history. Nonetheless, this was lower than the Company's ₱34.3-billion target gross proceeds as disclosed in its prospectus. The unexercised overallotment option during the IPO was reacquired by the Company. In 2025, Maynilad also secured additional loans from two local banks totaling ₱12.9 billion. Such capital raising activities caused its cash from financing activities to double from ₱11.9 billion in 2024 to ₱21.4 billion in 2025.

Cash and cash equivalents likewise accelerated, rising from ₱10.5 billion as of end-2024 to ₱26.8 billion as of end-2025. This led current assets to double to ₱33.7 billion. Meanwhile, current liabilities grew by 12.9% to ₱34.1 billion. Current ratio for the year reached 1.0x – the highest in Maynilad's history.

Projected Period

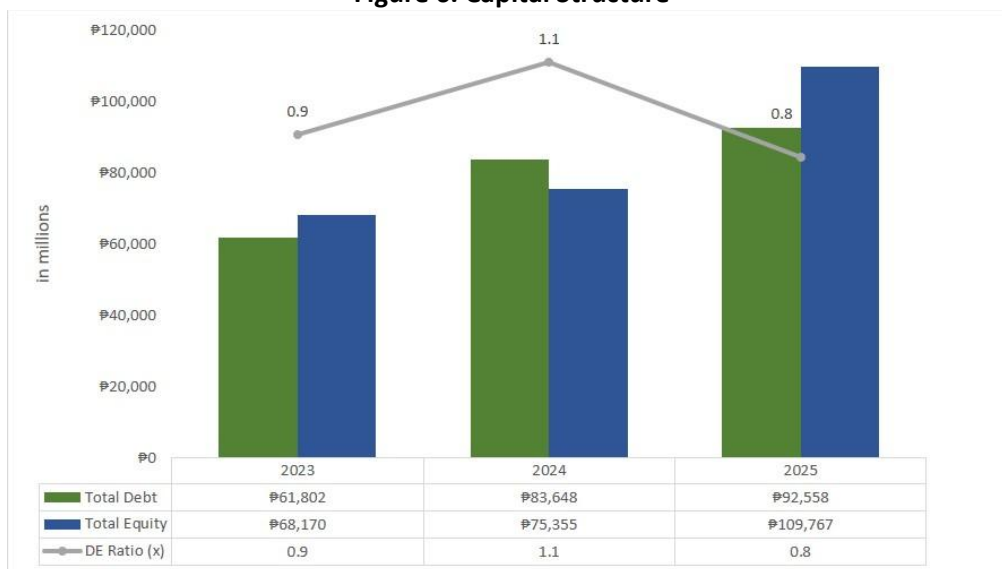
Maynilad's net cash flow from operations, excluding its SCA, is projected to remain strong over the projected period. Cash collections will likewise continue to be resilient as customers prioritize basic needs amid the economic slowdown.

Current ratio is foreseen to hover below 1.0x over the projected period, consistent with historical levels. Notwithstanding this, Maynilad's liquidity will remain manageable, supported by steady cash flow generation and collections sufficient to meet its obligations. Moreover, in case of liquidity crunch, the Company also has the flexibility to reduce its CAPEX spend.

For 2026, the Company plans to spend up to ₱30.0 billion to finance its expansion and rehabilitation projects. This will be funded by a mix of internally generated cash and additional loan drawdowns.

Capital Structure

Figure 6. Capital Structure



End-2025

Due to the Company's IPO in 2025, its total equity jumped to ₱109.8 billion, a 45.7% increase from ₱75.4 billion in the previous year. The continued plowback of earnings likewise contributed to the equity increase. On the other hand, total debt grew slower at 10.7%, from ₱83.6 billion as of end-2024 to ₱92.6 billion. Of the Company's total debt as of end-2025, only 2.9% or ₱2.6 billion was short-term. The maturities of the Company's long-term debt are similarly spread out until 2039.

Maynilad's DE ratio notably improved from 1.1x as of end-2024 to 0.8x as of end-2025.

All of the Company's interest-bearing debt as of end-2025 remained to be fixed-rate. Moreover, Maynilad had minimal foreign currency exposure, with only ~5.0% of the total debt in foreign currency (USD).

Maynilad has also been compliant with all its loan covenants as of end-2025.

Projected Period

Maynilad's total equity will increase modestly over the projected period, driven by anticipated earnings, net of dividend payments.

Total debt, however, is projected to grow faster due to the Company's increased CAPEX needs. DE ratio, while expected to increase, will remain at a comfortable level over the projected period.

1Q2026 vs 1Q2025

In 1Q2026, the Company's total revenues increased by 6.2% to ₱9.1 billion, from ₱8.6 billion in 1Q2025, on account of higher billed volume and expanding customer base. Operating profit, however, was slightly lower (-1.1%) at ₱5.3 billion. Nonetheless, bottom line for the period grew by 10.3% to ₱4.0 billion, from ₱3.6 billion in 1Q2025. The increase was driven by higher interest income from maturing investments and a lower provision for tax exposure in 2026.

While OPM declined from 62.8% to 58.6%, NPM improved from 42.3% to 43.9% during the quarter. EBIT interest coverage ratio and DSCR also remained more than ample at 9.3x and 4.3x, respectively, as of end-March 2026.

The Company's revenues in 1Q2026 reached 23.5% of the full-year target, while net income attained 25.3%.

In 1Q2026, cash from operations turned positive, reaching ₱76 million, a sharp recovery from an outflow of ₱422 million in the same period of 2025. Excluding the SCA, cash from operating activities would have increased to ₱7.1 billion, 6.8% higher than the ₱6.6 billion recorded in 1Q2025.

Total interest-bearing debt as of end-March 2026 grew by 6.1% to ₱98.2 billion. Total equity, on the other hand, fell by 4.1% to ₱105.3 billion on account of the ₱8.4-billion dividend payment made during the quarter. As a result, DE ratio inched up to 0.9x as of end-March 2026.

Cash and cash equivalents as of end-March 2026 stood at ₱21.9 billion, down from ₱26.8 billion as of end-2025, largely due to the quarterly dividend payment.

Financial Flexibility

As of end-2025, Maynilad had an approved and unused short-term loan line from various local banks. As a publicly-listed company, Maynilad can also opt to raise funds through the capital market. As of May 7, 2026, the Company had a market capitalization of ₱172.5 billion.

ECONOMY

Gross Domestic Product (GDP)²²

The Philippine GDP expanded by 3.0% in the 4Q2025. This was the slowest quarterly growth recorded since 3Q2011, excluding the contractions during the height of the COVID-19 pandemic. The foregoing brought the country's GDP growth rate for full-year 2025 to 4.4%, which was below the government's target of 5.5%–6.5%. This marked the third straight year that GDP growth fell short of the target.

On the supply side, drivers of growth in 2025 were the following industries: Wholesale and retail trade; repair of motor vehicles and motorcycles, 4.6%; Financial and insurance activities, 5.6%; and Public administration and defense; compulsory social security, 7.9%. At the aggregate sector level, Agriculture, forestry and fishing (AFF), Industry, and Services grew by 3.1%, 1.5%, and 5.9%, respectively.

Department of Economy, Planning, and Development (DEPDev) Secretary Arsenio Balisacan cited as reasons for the missed growth target the impact of weather-related disturbances for the year and the corruption scandal surrounding flood control projects. The latter reportedly dampened investments and consumer confidence.

On the demand side, HFCE grew by 4.6% in 2025, slower than the 4.9% recorded in 2024. Government Final Consumption Expenditure (GFCE) likewise increased by 9.1%, quicker than the 7.3% posted in 2024. Gross capital formation (GCF), on the other hand, declined by 2.1% in 2025, from a 7.7% growth in 2024, driven by the contraction in the government's spending for infrastructure during the last quarter of the year.

Inflation and Interest Rates²³

Headline inflation accelerated to 7.2% in April 2026, significantly higher than the 4.1% recorded in March 2026 and the 1.4% posted in April 2025. This marked the highest inflation rate since March 2023 and the largest month-on-month increase since the 1990s. The surge was primarily driven by oil supply shocks stemming from prolonged geopolitical tensions in the Middle East, which further pushed fuel and food prices upward.

Similarly, overall inflation in April 2026 was largely influenced by the higher annual increase in the Food and Non-Alcoholic Beverages index, which rose to 6.0% from 2.9% in March 2026. In addition, the Transport index posted a sharp annual increase of 21.4% during the month, significantly higher than the 9.9% recorded in the previous month. According to National Statistician Dennis Mapa, soaring fuel prices may have discouraged production activities, resulting in elevated consumer prices.

On April 23, 2026, the Bangko Sentral ng Pilipinas (BSP) raised its key policy rates by 25 basis points to 4.5%. According to BSP Governor Eli Remolona, the decision was aligned with the central bank's primary mandate of maintaining low and stable inflation to support sustainable economic growth. He noted that

²² Philippine Statistics Authority

<https://business.inquirer.net/571342/philippine-gdp-growth-down-to-3-in-q4-2025>

²³<https://business.inquirer.net/577609/breaking-philippine-inflation-rises-to-2-4-in-february>

<https://www.gmanetwork.com/news/money/economy/978827/inflation-picks-up-to-12-month-high/story/>

<https://www.philstar.com/business/2026/03/07/2512506/oil-100-may-force-bsp-hike-interest-rates->

the inflation outlook had deteriorated amid the ongoing conflict in the Middle East, with rising oil and fertilizer prices expected to spill over into food and service costs.

The central bank initially projected inflation to average 6.3% in 2026 and 4.3% in 2027. However, its latest forecasts indicate a significantly higher inflation path, with average headline inflation expected to breach the upper end of the 2.0%–4.0% target range in both 2026 and 2027. Nonetheless, the BSP emphasized that it remains prepared to raise interest rates further, if necessary, despite the potential impact on domestic economic growth. Furthermore, on May 6, the BSP reiterated that it would implement the necessary measures to ensure price stability and bring inflation back within target.

Meanwhile, Albert Park, Chief Economist of the Asian Development Bank, stated that the BSP should exercise caution in tightening policy rates, noting that the current inflationary pressures are largely supply-driven. Moreover, analysts from several institutions expect the central bank to implement further rate hikes, potentially through an off-cycle move.

Outlook²⁴

On April 9, 2026, S&P Global Ratings (S&P), downgraded the Philippines' outlook from "Positive" to "Stable", signaling that the country's "BBB+" investment-grade rating is unlikely to change over the next one to two years. The global credit rating agency explained that the outlook was revised "because the war in the Middle East has increased risks for the trajectory of the country's external and fiscal metrics," and "it is unlikely that external and fiscal support will improve sufficiently over the next two to three years."²⁵ Moving forward, S&P forecasts that the ongoing energy developments will further temper economic activity in the country in the first half of 2026 but expects a recovery in the second half of 2026, with GDP forecasted at 5.8% for the whole year. Over 2027-2029, S&Ps' GDP projection is at 6.2%.²⁶

On April 20, 2026, Fitch Ratings affirmed the Philippines' long-term foreign-currency issuer default rating (IDR) at "BBB", maintaining an investment-grade status. The outlook, however, was revised from "stable" to "negative", signaling a potential downgrade within the next 18 to 24 months. The possible downgrade would be the first credit rating downgrade for the country in more than two decades.²⁷ According to Fitch Ratings, the Outlook revision reflects rising risks to the Philippines' strong medium-term growth due to recent disruptions to public investment, further elevated by the exposure to the ongoing global energy shock. Looking ahead, forecast inflation for 2026 was revised to 4.1%, from 1.7% in 2025, citing higher energy prices. GDP growth is projected at 4.6% in 2026, a slight improvement from the actual 4.4% growth in 2025, attributed to gradual public CAPEX recovery amid lower household consumption given higher energy costs.²⁸

On April 14, 2026, both the International Monetary Fund (IMF) and Moody's Ratings reduced their 2026 GDP growth forecasts for the Philippines. The IMF revised its initial GDP forecast of 5.6% to 4.1%, citing lower-than-expected growth in the latter part of 2025, rooted in dampened investor confidence due to

²⁴<https://www.philstar.com/business/2026/01/30/2504386/gdp-growth-slows-44-2025>

<https://business.inquirer.net/569528/imf-sees-sub-6-growth-for-ph-through-2027>

<https://www.bworldonline.com/top-stories/2025/12/09/717310/world-bank-cuts-philippine-growth-forecasts-until-2027>

<https://www.philstar.com/business/2026/02/03/2505285/bsp-chief-rate-cut-remains-option>

²⁵<https://business.inquirer.net/584358/a-credit-rating-dream-stalled-sp-outlook-on-philippines-lowered-to-stable-from-positive#>

²⁶ <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3542352>

²⁷ <https://business.inquirer.net/586269/ph-may-face-first-credit-downgrade-in-decades-as-fitch-turns-negative>

²⁸ <https://www.fitchratings.com/research/sovereigns/fitch-revises-philippines-outlook-to-negative-affirms-at-bbb-20-04-2026>

the negative impact of the flood control corruption scandal, as well as the ongoing Middle East conflict. Notwithstanding this, the IMF retained its GDP forecast for 2027 at 5.8%.

Moody's Ratings also cut its previous GDP forecast for 2026 from 5.5% to 4.9%, and its GDP growth estimates for 2027 from 5.6% to 5.3%. The credit rating agency stated that "domestic demand and industrial activity should remain subdued as elevated energy costs and fuel shortages, along with trade uncertainty and climate risks, weigh on economic activity." Moody's Ratings also raised its inflation forecast from 3.0% to 3.7% in 2026 and 3.2% to 3.5% in 2027.²⁹

The Asian Development Bank's (ADB) likewise cut its GDP forecasts for the Philippines for 2026, from 5.3% in its December 2025 forecast to 4.4%. For 2027, the initial GDP estimate was set to 5.5%. Inflation, on the other hand, is projected to rise to 4.0% in 2026, primarily due to high global commodity prices, before easing to 3.5% in 2027.³⁰

Impact of the ongoing conflicts in the Middle East³¹

In light of the recent geopolitical tensions in the Middle East, Finance Secretary Frederick Go stated that the ongoing conflict will have a modest, albeit temporary, effect on the Philippine economy. The closure of the Strait of Hormuz is seen to be among the key headwinds affecting the country's inflation, and as such will drive the projected spike in oil prices globally. ING Think claimed that a 0.4 ppt increase to the Philippines' inflation print may be triggered for every 10% increase in oil prices.

Fuel prices have climbed since the last week of February 2026. According to Dr. Alicor Panao, an associate professor at the University of the Philippines, diesel prices and gasoline prices in the Philippines have risen by 111% and 71.6%, respectively, based on GlobalPetrolPrices data as of March 30, 2026. As of April 7, 2026, after the latest round of oil price hikes, diesel was sold at ₱172.90 per liter, gasoline at ₱119.90, and kerosene at ₱178.29.³²

Higher fuel prices increase the cost of production for manufacturing firms, the energy costs of households, and transportation costs. The Department of Energy (DOE) emphasized that it can only monitor prices, not regulate them, under the 1998 Downstream Oil Industry Deregulation Act.

Remittances from OFs in the Middle East are also likely to be affected by the ongoing situation. Philippine Institute for Development Studies (PIDS) mentioned, however, that remittances remained resilient even amid tensions. Short-term precautionary remittances also recorded increases even amid past uncertainties. The Philippine Peso, on the other hand, may also expect some downward pressure against the US dollar. China Bank Corporation's chief economist Domin Velasquez mentioned that during conflicts in the Middle East, global markets historically responded with risk aversion, which supports the US dollar.

²⁹ <https://manilastandard.net/business/314726875/imf-moodys-cut-2026-philippine-growth-outlook.html>

³⁰ <https://www.adb.org/news/philippine-gdp-growth-remain-subdued-amid-global-uncertainty>

³¹ <https://qa.philstar.com/business/2026/03/02/2511332/philippine-can-weather-impact-middle-east-conflict>
<https://www.pna.gov.ph/articles/1270327>

<https://www.bworldonline.com/top-stories/2026/03/04/734007/philippines-seen-to-be-more-affected-by-oil-shock-than-asia-pacific-peers/>

<https://globalnation.inquirer.net/313041/iran-says-can-fight-for-months-as-israel-strikes-beirut-hotel>

<https://globalnation.inquirer.net/312787/dfa-projection-middle-east-conflict-may-last-4-to-8-weeks>

<https://business.inquirer.net/578317/diesel-prices-to-soar-by-up-to-p24-liter-this-week>

³² <https://newsinfo.inquirer.net/2209348/ph-no-longer-southeast-asias-worst-in-oil-price-hikes-but-pain-persists>

On March 24, 2026, President Marcos Jr. declared a State of National Energy Emergency through the Executive Order No. 110, citing oil supply risks from Middle East tensions, particularly the U.S.-Israel-Iran conflict. “The declaration of a state of national energy emergency will enable the government... to implement responsive and coordinated measures under existing laws to address the risks posed by disruptions in the global energy supply and the domestic economy,” the President added. He also stated that a committee has been formed to ensure the orderly movement, supply, distribution and availability of fuel, food, medicine, agricultural products, and other essential goods. The emergency declaration will remain in force for one year and will allow the government to procure fuel and petroleum products to ensure timely and sufficient supply and, if necessary, pay part of the contract amount in advance.³³

On April 7, 2026, US President Donald Trump announced a two-week ceasefire between Washington and Tehran, two hours prior to his deadline for Tehran to reopen the Strait of Hormuz, and a stark contrast to his threat of devastating attacks on its Iran’s civilian infrastructure. The war, in its sixth week, resulted to more than 5,000 deaths in nearly a dozen countries, including more than 1,600 civilians in Iran.³⁴

The ceasefire talks sparked decreases in oil prices in the world market. As a result, after consecutive fuel price hikes, oil prices are expected to decrease the week of April 12, 2026. Department of Energy (DOE) Secretary Sharon Garin said however, that global factors, including damaged oil infrastructure and rising delivery costs, will continue to keep pump prices elevated. The department also communicated that “Filipinos should not expect fuel prices to return to pre-war levels anytime soon, even if the ongoing conflict in major oil-producing regions were to stop.”³⁵

On April 12, 2026, Secretary Garin confirmed that oil companies will reduce price of diesel by ₱20 per liter, gasoline by ₱4.23 per liter, and kerosene by ₱8.5 per liter starting on April 13, 2026.³⁶ On April 21, 2026, prices are further cut by ₱24.94 per liter for diesel, and ₱3.41 per liter for gasoline. According to Secretary Garin, “oil companies are now mandated to comply with the minimum and maximum amounts that the government would set regarding the adjustments in the price of petroleum products amid the state of national energy emergency”.³⁷

As of April 22, 2026, the two-week temporary ceasefire deal, which began on April 12 between the US and Iran, was extended indefinitely as peace talks continue between the nations.³⁸

INDUSTRY

National Water Resources Act³⁹

In December 2025, the House of Representative passed the National Water Resources Act (House Bill No. 9663) on its third and final reading.⁴⁰

³³ <https://www.aljazeera.com/news/2026/3/25/philippine-president-declares-energy-emergency-as-impact-of-iran-war-felt>

³⁴ <https://www.reuters.com/world/iran-war-live-tehran-rejects-ceasefire-deal-trumps-deadline-reopen-strait-hormuz-2026-04-07/>

³⁵ <https://www.abs-cbn.com/news/business/2026/4/10/adb-predicts-slowing-asia-growth-as-mideast-war-takes-toll-1327>

³⁶ <https://www.abs-cbn.com/news/business/2026/4/13/doe-confirms-p20-rollback-for-diesel-1003>

³⁷ <https://www.gmanetwork.com/news/money/companies/984601/oil-price-rollback-april-21-2026/story/>

³⁸ <https://edition.cnn.com/2026/04/21/politics/iran-trump-negotiations-peace-ceasefire>

³⁹ <https://www.pna.gov.ph/articles/1215008#:~:text=Marcos%20Jr.,and%20the%20Water%20Regulatory%20Commission.>

⁴⁰ <https://newsinfo.inquirer.net/2160571/romualdez-welcomes-house-approval-of-dept-of-water-resources-bill>

The bill seeks to create the Department of Water Resources (DWR) and establish the national framework for water resource management. The DWR would be the primary agency responsible for the thorough and unified identification and mapping of all water resources, as well as for planning, policy creation, and management. According to Congressman Salvador Pleyto, water management in the country is shared among approximately 36 different government agencies and units, with each operating under sector-specific mandates. He highlighted that the move toward DWR will drive a more synchronized, and data-driven approach, and will reduce overlapping management, policy inconsistencies, gaps in capability, and inefficiencies in service delivery.

The bill also proposes the creation of the Water Regulatory Commission (WRC), an independent, quasi-judicial regulatory body with overall authority to all service providers intending to provide water supply. According to the management, however, the creation of WRC will have no material impact on its operations.

If the bill is passed into law, the MWSS will be an attached agency of the DWR, and its economic and regulatory functions will be transferred to the WRC. All disputes, therefore, arising from the CA will have to be resolved by the courts and no longer through arbitration. On a positive note, the management emphasized that in the event of disputes regarding rate adjustments, the Company can still proceed with the implementation of the approved rate under “execution pending appeal”.⁴¹

⁴¹ Execution pending appeal is a legal process where a judgment is enforced, despite an ongoing appeal process.