

2023 Debt and Capital Structure

The Company's capital is managed with the aim of ensuring that a strong credit rating and healthy capital ratio is maintained, to support growth and long-term success, and further maximize shareholder value.

The Company considers its strategy when reviewing the capital and debt structure thru an effective financial risk management, covering capital and liquidity management, including credit and interest rate risk. The overall consideration for these structures is reviewed by Audit Committee and approved is by the Board on a quarterly basis.

Managing capital is an ongoing activity and adjustments are made to capital when necessary and are reviewed and monitored in relation to changes in economic conditions. Besides adjusting capital structure, monitoring allows effective and efficient management. The Company is able to monitor thru observance and usage of the gearing ratio (net), as presented below.

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2023	2022
	<i>(In Thousands)</i>	
Loans payable	₱4,288,964	₱5,422,524
Current portion of long-term debt	67,746,351	50,839,776
Long-term debt - net of current portion	294,622,256	296,134,836
Less cash and cash equivalents	(31,816,802)	(42,060,082)
Total net interest-bearing debt (a)	334,840,769	310,337,054
Total equity attributable to equity holders of the parent	396,196,619	363,201,490
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	₱731,037,388	₱673,538,544
Gearing ratio (a/b)	46%	46%

Table 1. (above) Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

Net gearing ratio is equivalent to 46:54 in Y2023, below the management target of 50:50 net debt to equity ratio.

With regards to reviewing the debt structure, credit risk arising from operating and financing activities, is managed by reviewing the credit quality of financial assets, using internal credit ratings. As of December 31, 2023, the financial assets are generally viewed by management with Board oversight, as good and collectible considering the credit history of the counterparties. Any past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

As at December 31, 2023 and 2022, the credit quality of the Company's financial assets is as follows:

	2023			Total
	Neither Past Due nor Impaired			
	High Quality	Standard Quality	Past Due	
(In Thousands)				
Financial assets at amortized cost				
Cash and cash equivalents*	P31,691,014	P—	P—	P31,691,014
Receivables**	201,498	12,928,120	19,524,538	32,654,156
Escrow and time deposits (included under "Other noncurrent assets")	3,656,453	—	—	3,656,453
Financial assets at FVTPL				
Derivative assets	5,524,044	—	—	5,524,044
Financial assets at FVOCI				
Equity instruments	20,312,735	5,317	—	20,318,052
	P61,385,744	P12,933,437	P19,524,538	P93,843,719

* Excluding cash on hand amounting to P126 million

** Excluding nonfinancial assets amounting to P44,298 million

	2022			Total
	Neither Past Due nor Impaired		Past Due but not Impaired	
	High Quality	Standard Quality		
(In Thousands)				
Financial assets at amortized cost				
Cash and cash equivalents*	P41,977,231	P—	P—	P41,977,231
Receivables**	167,795	14,696,502	16,469,042	31,333,339
Cash in escrow (included under "Prepaid expenses and other current assets")	5,105,361	—	—	5,105,361
Financial assets at FVTPL				
Derivative assets	7,338,320	—	—	7,338,320
Financial assets at FVOCI				
Equity instruments	17,606,746	5,317	—	17,612,063
	P72,195,453	P14,701,819	P16,469,042	P103,366,314

* Excluding cash on hand amounting to P83 million

** Excluding nonfinancial assets amounting to P51,227 million

Table 2. (above) Credit Quality of Financial Assets

Liquidity is important to managing debt, and the Company manages this to be able to finance capital expenditures and service maturing debts. To cover financing requirements, internally generated funds and proceeds from debt and equity issues are utilized.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2023			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	(In Thousands)			
Loans payable	₱4,384,368	₱—	₱—	₱4,384,368
Accounts payable and other current liabilities*	83,479,886	—	—	83,479,886
Long-term debt (including current portion and interest)	109,537,322	301,795,119	34,890,709	446,223,150
Derivative liabilities	7,423	265,013	—	272,436
Liability for purchased land - net of current portion	—	539,959	—	539,959
Tenants' deposits - net of current portion**	—	24,736,578	269,391	25,005,969
Lease liabilities	874,205	3,539,853	27,505,845	31,919,903
Other noncurrent liabilities***	—	8,499,486	2,103,661	10,603,147
	₱198,283,204	₱339,376,008	₱64,769,606	₱602,428,818

Table 3. (above) Maturity of Financial Liabilities

There is regular evaluation of projected and actual cash flow information and continuously assess conditions in the market for opportunities to raise funds such as through loans or similar debt or equity issuance.

In addition, the Company manages interest in debt by using a mix of fixed and floating rate debts. It manages this mix in a cost-efficient manner by entering into interest rate swaps, designated to economically hedge underlying debt obligations. Approximately 78% of long-term borrowings are at a fixed interest rate as of December 31, 2023.

The Company hedges dollar loans to manage foreign exchange and interest rate risks.

The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2023 and 2022:

	Interest Rate	2023					Total
		1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	
Philippine peso-denominated loans	BVAL+margin%	₱101,250	₱5,740,000	₱11,635,000	₱14,123,750	₱18,557,500	₱50,157,500
U.S. dollar-denominated loans	LIBOR + spread	–	\$100,000	\$200,000	\$100,000	–	22,148,006
China yuan renminbi-denominated loans	LPR	¥168,491	¥277,650	¥366,851	¥156,564	¥212,838	9,221,027
Less debt issue cost							81,526,533
							475,556
							₱81,050,977

	Interest Rate	2022					Total
		1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	
Philippine peso-denominated loans	BVAL+margin%	₱14,730,000	₱101,250	₱5,740,000	₱11,635,000	₱14,281,250	₱46,487,500
U.S. dollar-denominated loans	LIBOR + spread	–	–	\$100,000	\$200,000	\$100,000	22,301,978
China yuan renminbi-denominated loans	LPR	¥69,803	¥168,491	¥277,631	¥365,355	¥214,382	8,857,113
Less debt issue cost							77,646,591
							493,338
							₱77,153,253

Table 4. (above) Carrying Amount of Long-Term Financial Liabilities

These areas of capital and debt structure are further reviewed by examining the various financial ratios that continuously ensures alignment to strategic goals and objectives.

Financial Ratios	Year ended December 31		
	2023	2022	2021
Current Ratio*	2.17	2.41	2.54
Acid Test Ratio*	1.09	1.22	1.29
Solvency Ratio	1.73	1.80	1.77
Debt to Equity	48:52	47:53	48:52
Net Debt to Equity	46:54	44:56	45:55
Asset to Equity	2.38	2.29	2.34
Return on Equity	0.11	0.10	0.11
Net Income Margin	0.31	0.34	0.31
Interest Coverage Ratio	5.31	5.79	5.31
Debt to EBITDA	4.95	4.61	4.74
Return on Investment Properties	0.09	0.09	0.09

*excluding loans payable and current portion of long-term debt due for refinancing

Table 5. (above) Major Financial Ratios For the Years Ended December 31, 2023, 2022, and 2021