Ayala

Ayala Corporation

FY2023 Analysts' Briefing

Financial and Operating Results

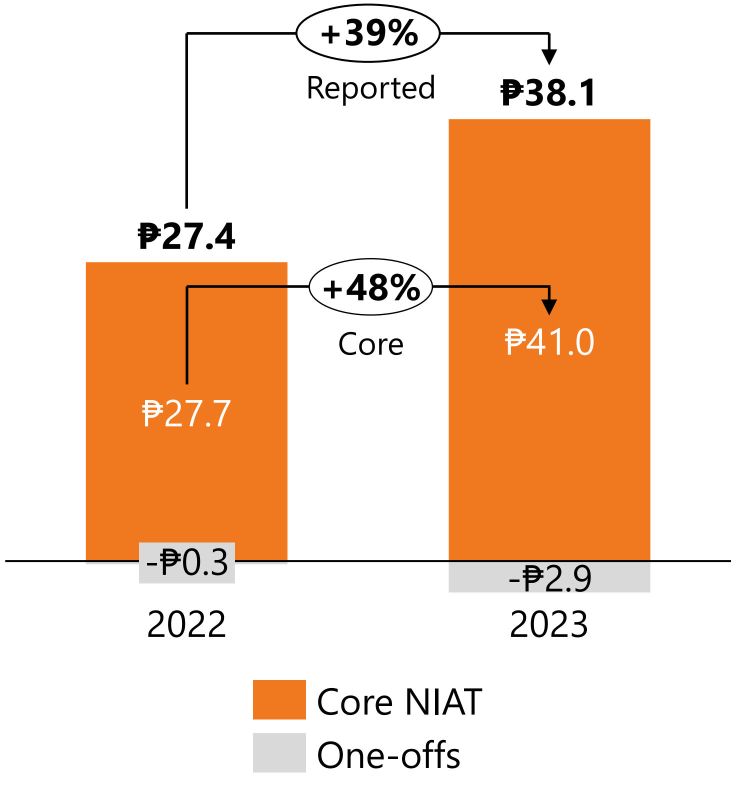
March 13, 2024

https://www.ayala.com/investors/presentations

Core NIAT up 48% to ₱41 billion driven by strong growth in BPI, Ayala Land, and AC Energy

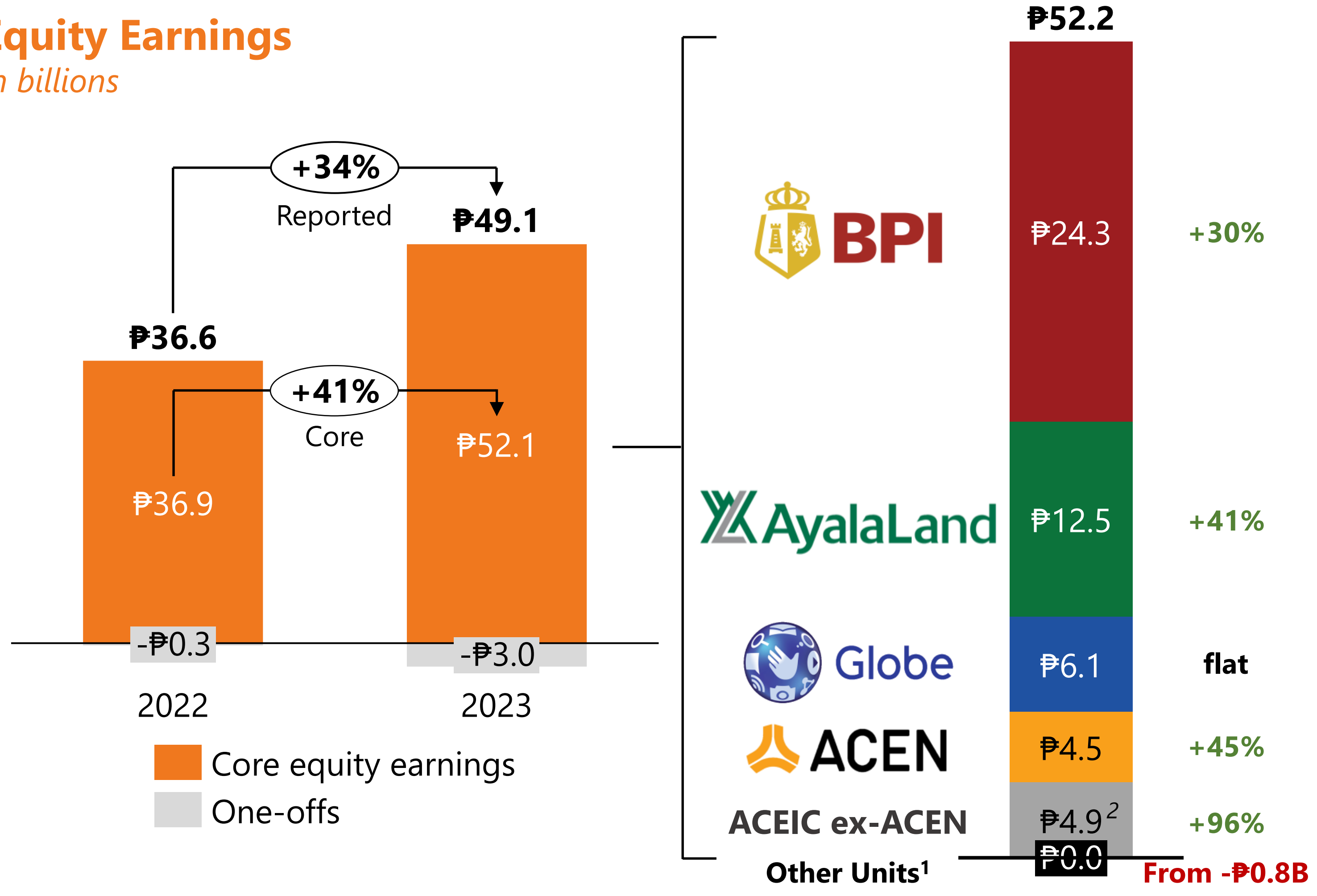
Consolidated NIAT

In billions



Equity Earnings

In billions



[1] Includes AC Industrials, AC Health, AC Logistics, MWC, and others

[2] Based on AC's effective share of ACEN's net income after deducting its share of ACEIC's bond interest

BPI, Ayala Land, and ACEN continued to deliver strong earnings; Globe's core earnings were flat, but GSR and EBITDA hit all-time highs

BPI

- **NIAT up 31%. Ex one-off gain in 2022, NIAT up 44%** on higher net interest income (+23%), fee income (+17%) and lower provisions (-56%).
- **Loan growth grew 10.2%.**
  - Corp up 7%; consumer led by credit cards (+38%), personal loans (+106%), and auto (+24%).
  - FY NIM up **+50bps YoY** to 4.09%.
- **NPL ratio remained strong at 1.84%** and NPL cover at 156%.
- **CIR at 50.0%** on higher tech and manpower expenses.
- **Sustained ROE** at 15.35%; ROA at 1.93%.
- **11M customer base**, up by 1.7M; **3.8M digital clients.**

AyalaLand

- **NIAT up 32%** on strong residential bookings and higher leasing occupancy and rents.
- **Property development revenues grew 14%** on healthy bookings and higher project completions.
  - Reservation sales up 9%.
  - 25 project launches worth ₱76B in 2023.
- **Leasing revenues up 25%** from higher rents and occupancy.
  - Shopping centers (+31%): 84% occupancy.
  - Offices (+6%): 92% occupancy.
  - Hotels & Resorts (+42%): 67% occupancy in hotels, 42% in resorts.
- **AREIT's net income up 43%.**
  - AUM reached ₱87B; planned infusions to boost AUM to ₱117B.

Globe

- **NIAT down 29%** due to partial sale of data center assets last year.
  - **Core NIAT down 1% while EBITDA up 3%** as GSR growth (+3%) was offset by higher OPEX, D&A, and interest expense.
  - EBITDA margin still at 50%.
- **Mynt equity earnings up 2.9x** to ₱2.4B (7% of NIBT).
  - GCash maintained **5x MAU and 10x DAU** vs next finance app.
  - ₱118B loans disbursed to date (+2.1x) .
  - 16M insurance policies sold to date (+2.7x).
- 2023 CAPEX **down 30%** to ₱71B
  - CAPEX-to-revenue ratio at 44%, 20ppts lower. .

ACEN

- **NIAT down 43%** due to one-off revaluation gain last year.
  - **Income from operating units up 2.9x** on capacity growth.
- **Attributable generation up 32%** on new plants commissioned and stronger wind regime.
  - Added **743MW in net attributable capacity** to total of 4,772MW.
  - Potential delays in new projects due to inclement weather and grid connection issues, but **expecting to deliver 3,400MW within 2024-2025.**
  - Continued investment in transmission assets, with near-term depreciation expense impact.

AC Health achieved positive core net income as pharma, clinics, and hospitals continue to gain traction

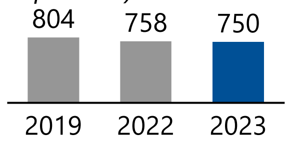
AC Health
An Ayala Company

- **Revenues up 19% to ₱8.6B** on higher contributions from pharma, clinics, and hospitals.
  - Core attributable EBITDA at ₱722M, up 23%.

- **Net income at ₱42M** excluding greenfield businesses (KMD & cancer hospital) and one-off items.
  - Reported net loss of ₱233M.

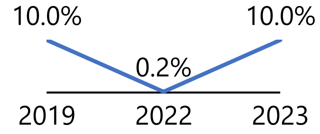
Pharma Retail

Generika Stores
(# of outlets)



- Target to have **1,000 stores by 2026.**
- Down from 2019 due to store rationalization.

Same-Store Sales Growth



- **Stronger generics sales and higher serve rates** push SSSG back to pre-pandemic levels.

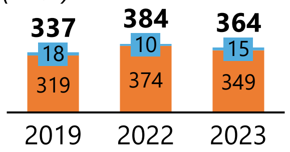
Business Update

st.josephdrug
Since 1958

- Signed investment agreement for a **significant majority stake** in St. Joseph in Dec 2023; currently undergoing PCC approval.
- **Accelerates retail pharma expansion** (+112 stores) and gives access to new store format.

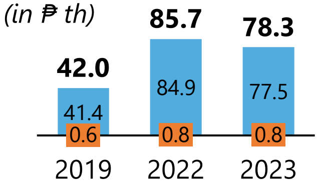
Hospitals

Patient Count
(in th)



- Total patient count **surpassed pre-COVID levels by 8%.**

Average Spend
(in ₱ th)



- Spend remains elevated but lower YoY due to resurgence of less complex cases (pedia, dengue, pneumonia).
- **Investments in new equipment to increase value of services.**

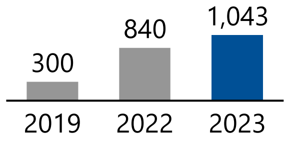
Business Update

Far Eastern University
Dr. Nicanor Reyes Medical Foundation
Medical Center

- **Management Agreement** with FEU-NRMF commenced in Feb 2024.
- Strengthens AC Health's hospital footprint as a **300-bed Level 3 hospital** in Metro Manila.

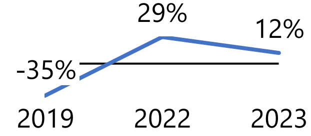
Pharma Distribution

CPR[1] Count



- Robust CPR growth fueled **consistent commercial sales growth.**

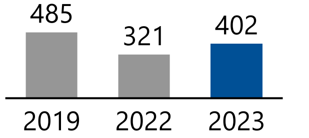
Sales Growth



- Double digit growth mainly from **commercial sales** with higher orders from **top corporate clients and leading brands.**

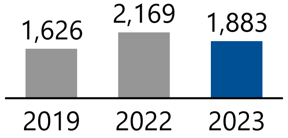
Clinics

Patient Count
(in th)



- Foot traffic almost at pre-COVID levels.
- **Clinic expansion to accelerate growth of patient count.**

Average Spend
(in ₱)



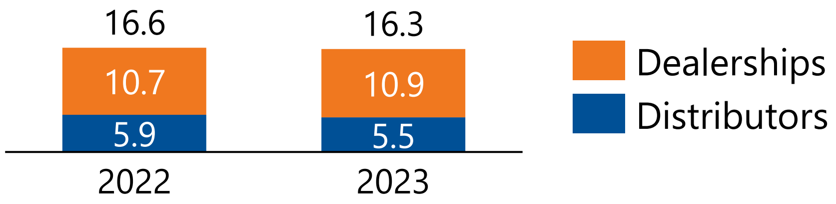
- Average spend higher vs pre-COVID but lower YoY due to **competitive price adjustments.**

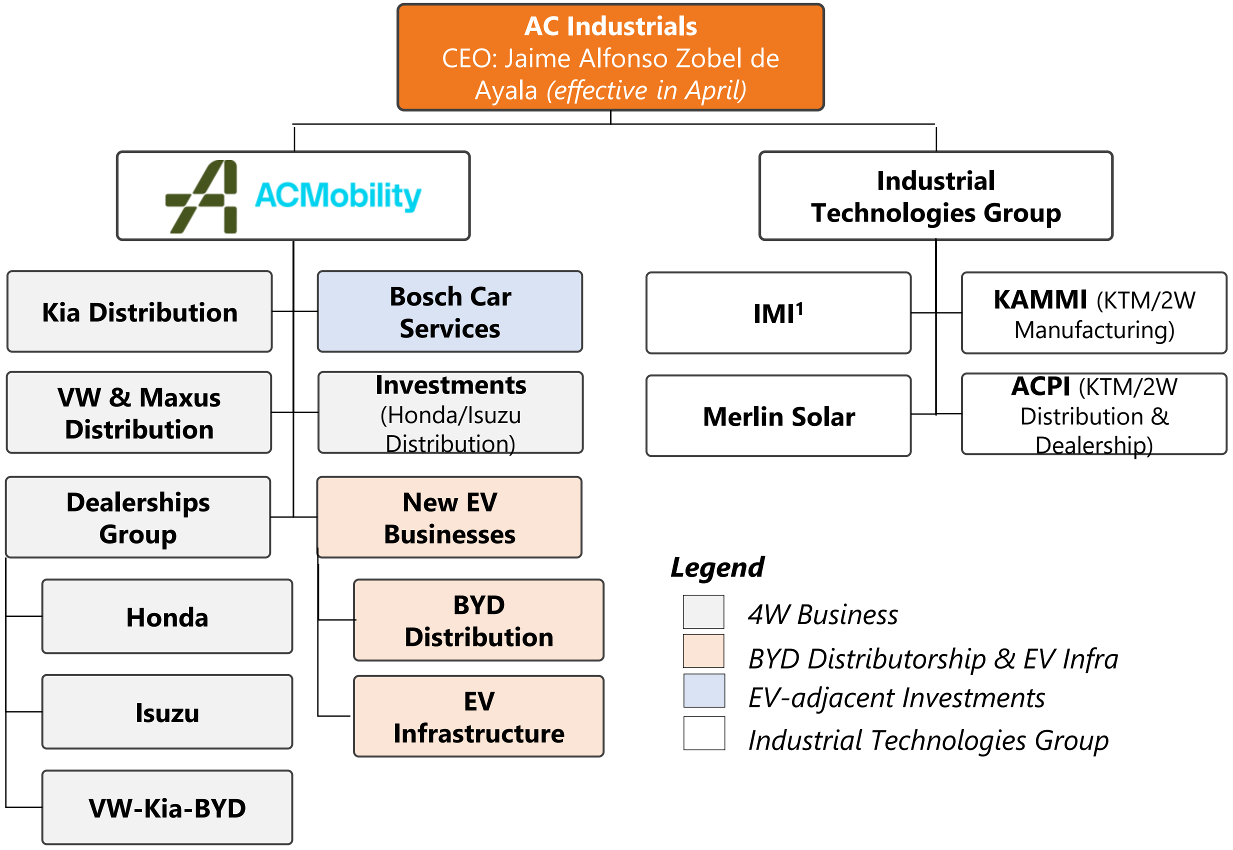
[1] *Certificate of Product Registration, indicative of number of molecules*

AC Industrials reduced its core loss on better performance of core units and divestments

- **Core net loss narrowed by +26%** to -₱1.1B primarily coming from losses from MTC-Con and Merlin. Results improved YoY on better performance from core units and exit of STI and MTC-Con in 2Q23.
    - Reported loss at -₱5.5B due to impairment from divestments.
- **IMI:** Income from core business up 14% to $13M on margin improvement driven by the easing component shortage and termination/renegotiation of unfavorable contracts.
- **AC Motors:** Core net income at ₱201M, up 61% on higher earnings from Kia, Honda and Isuzu and lower losses from VW and Maxus.
    - Reported net loss of -₱99M due a write-down on aging 2-wheel inventory and a one-time adjustment in Kia.
    - 4W revenues up 5% but unit sales down 1% partly due to slow-down of Maxus and Volkswagen sales.

AC Motors unit sales by brand *(in k)*





[1] *Lou Hughes appointed as CEO effective May 1, 2024*

AC Logistics' profitability remains challenged; asset rationalization to yield better results moving forward

AC Logistics
An Ayala Company

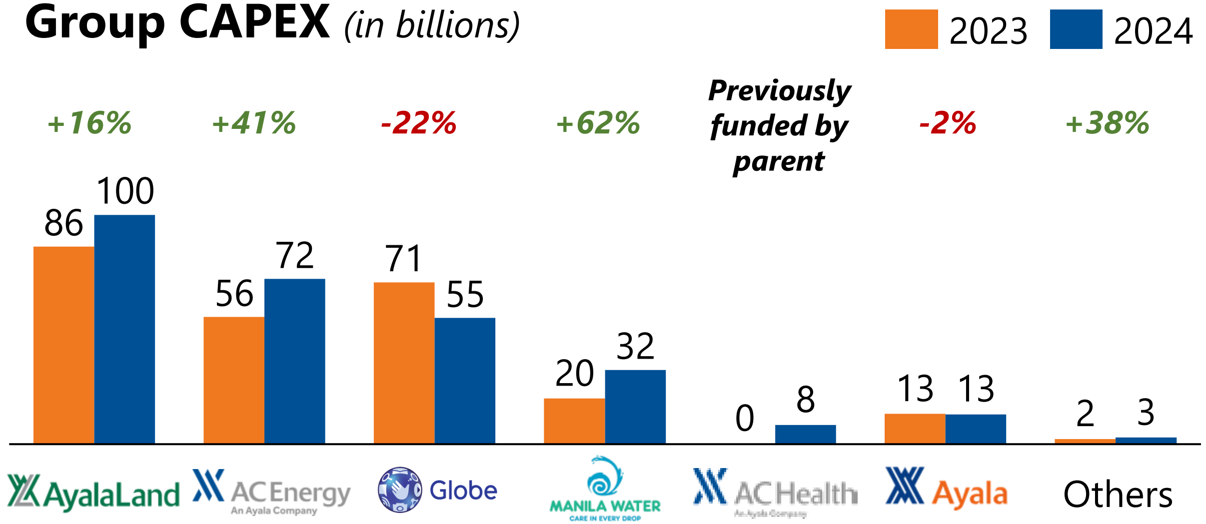
- **First round of asset integration into AIR21 complete**; ongoing Entrego shutdown.
  - Expected savings from lower cost, improved efficiency, better coverage, and improved service level agreements (unprofitable contracts have been renegotiated or terminated).
  - Rationalization to continue.

- **AC Logistics:** Core equity loss at -₱1.1B, slightly narrower YoY. Reported equity loss of -₱1.7B driven by charges related to Entrego's closure.
  - **Entrego:** -₱1.1B core loss, 9% narrower YoY.
  - **AIR21**: 13% growth in revenues following stronger demand from the aviation industry and improvement in on-time deliveries from 74% to 94%. Wider net loss of -₱139M, driven by manpower costs and one-offs. Without this, core net loss was -₱78M.

- **Cold Storage** utilization exceeded expectations; expansion in key locations underway.
  - GMAC will build and operate a 11,798-pallet cold storage facility in Panabo City, Davao del Norte.
  - Triples GMAC's capacity to 17k pallets by 2025 upon its completion

Ayala's 2024 group CAPEX program up 14%; parent CAPEX flat as AC Health is now able to self-fund

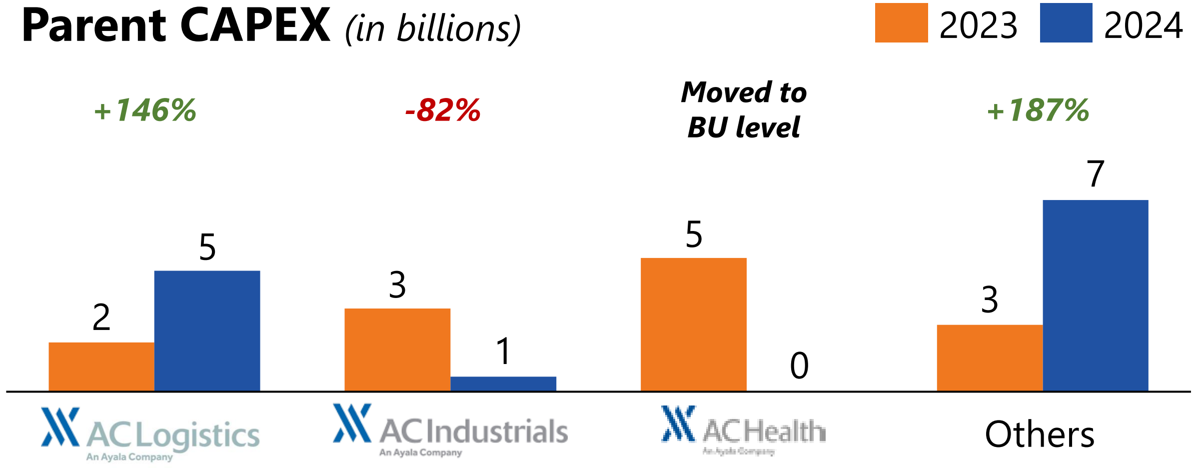
Group CAPEX *(in billions)*



Group CAPEX at ₱284B for 2024, up 14% driven mainly due to increases in ALI and AC Energy.

- **Ayala Land** – Up 16%. 34% allocated to residential (-15ppts), 24% to estate development (+8ppts), 19% to land acquisition (-2ppts), 10% into malls (+4ppts), and 13% into other investments (+5ppts).
- **AC Energy** – Up 27% on increased RE capacity buildout and transmission assets.
- **Globe** – Down -23%, in line with plan to reach positive FCF by 2025.
- **AC Health** – Up 60% due to the investment in St. Joseph Drug as well as the expansion and upgrade of clinics and hospitals.
- **BPI** – Tech expenses up 29%, equal to 11% of revenue.

Parent CAPEX *(in billions)*



Parent CAPEX at ₱13B for 2024, flat against last year.

- **AC Logistics** – Up due to growth initiatives in AIR21 and closure of Entrego.
- **AC Industrials** – Elevated CAPEX in 2023 due to MTC-Con exit and BYD start-up funding.
- **AC Health** – CAPEX to be self-funded.
- **Others** – 63% for investment opportunities.

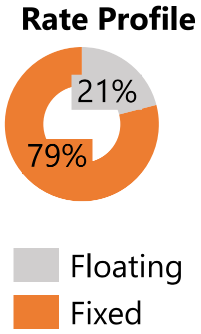
Ayala's sustained balance sheet strength, complemented by value realization and diversified funding sources remains, a competitive advantage

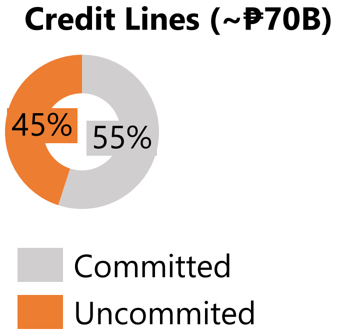
Balance Sheet Metrics

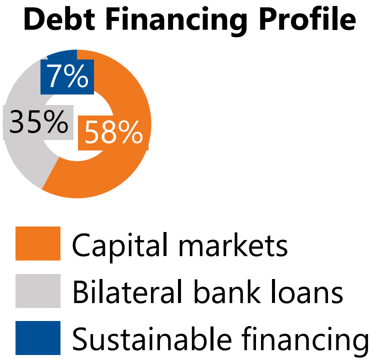
In billions

	End-2022	FY2023
Consolidated		
Cash	77.0	76.2
Gross debt	552.5	589.8
Net debt	475.4	513.6
Net D/E	0.80	0.76
Parent		
Cash	11.2	11.7
Gross debt	160.5	157.9
Net debt	149.3	146.1
Net D/E	1.04	0.96
LTV ratio	11.1%	11.2%

Profile of Obligations and Credit Lines



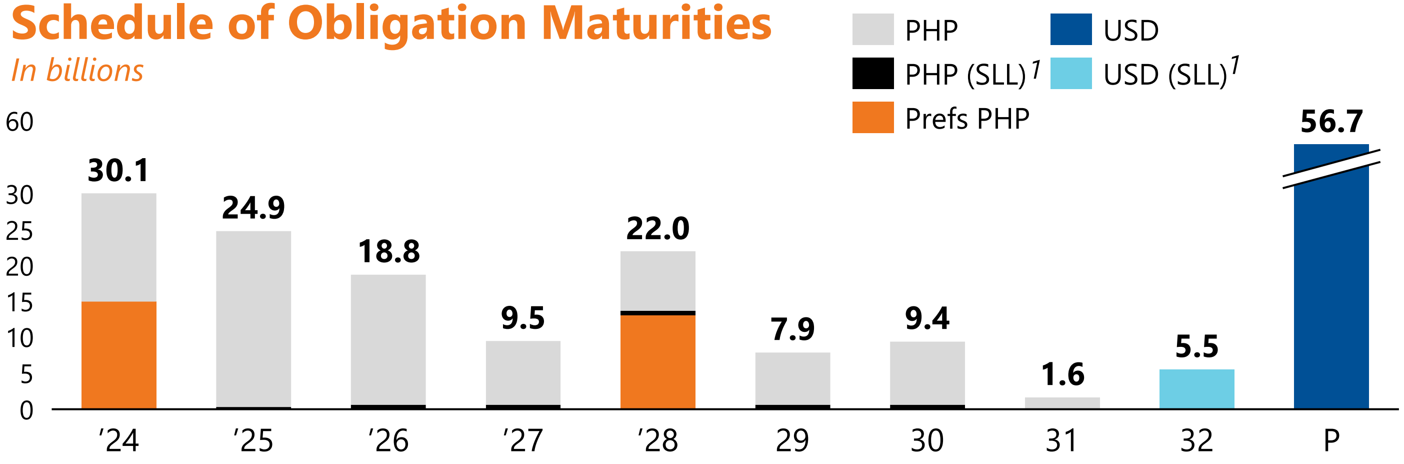




Average cost of debt: 5.37%

Schedule of Obligation Maturities

In billions



[1]Sustainability-linked loans

Create a more valuable Ayala through concentrated bets and active portfolio management

Core BUs – Drive market leadership & sustainable growth

- **Align BU KRAs** with AC's priorities; provide meaningful representation across BU compensation committees
- Increase **board oversight** and **frequency of portfolio reviews**

Younger BUs – Achieve scale and generate positive contributions to AC bottomline

- **Exit or reconfigure** businesses with limited ability to scale and are profitability drags
- **Scale** younger businesses, AC Health and ACMobility

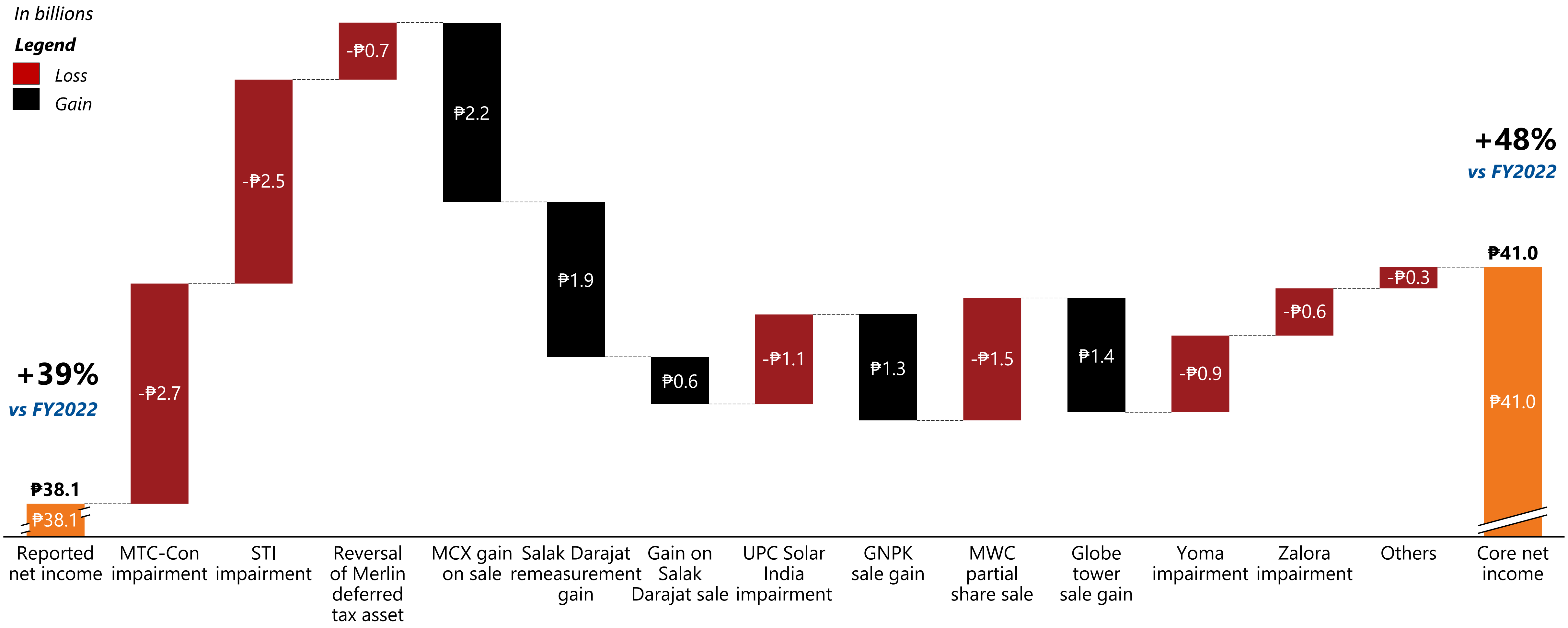
Portfolio – Value realization and continued portfolio sharpening via VCE framework

- **Value** – achieve $1B valuation within 10 years
- **Cash** – return capital within 7 years
- **Earnings** – achieve profitability within 5 years

Target ₱65B core NIAT by 2026

Annex

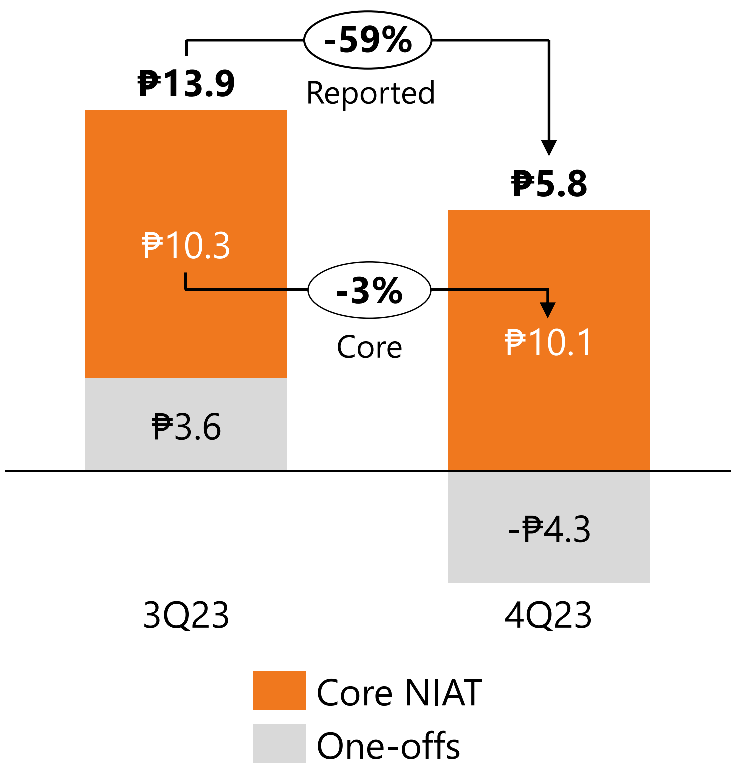
One-offs for 2023 totaled -₱3 billion, the largest of which came from the impairments for MTC-Con and STI and the loss on partial sale of MWC shares



Core NIAT down 3% QoQ to ₱10.1 billion on lower contributions from BPI, Ayala Land, and ACEIC-ex-ACEN

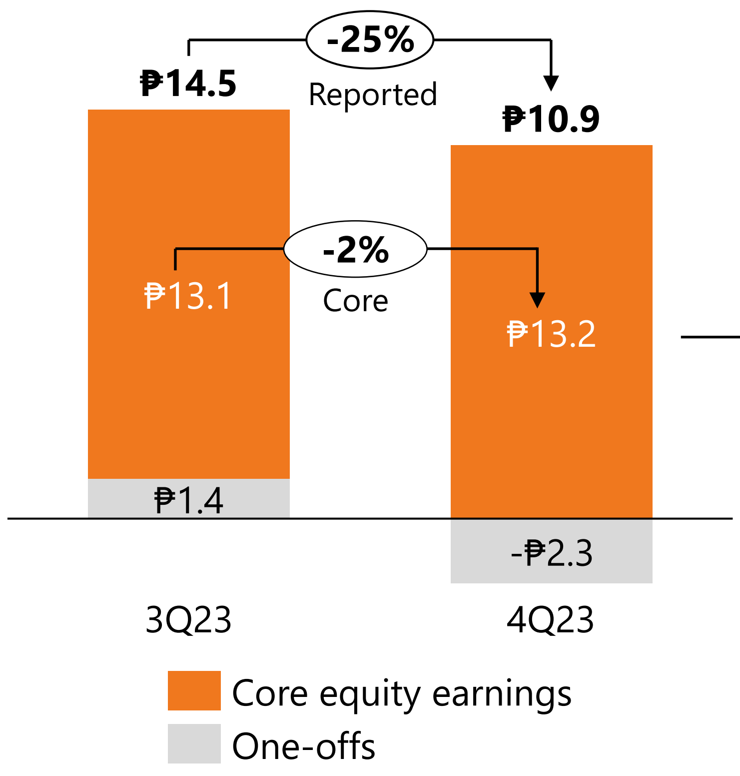
Consolidated NIAT

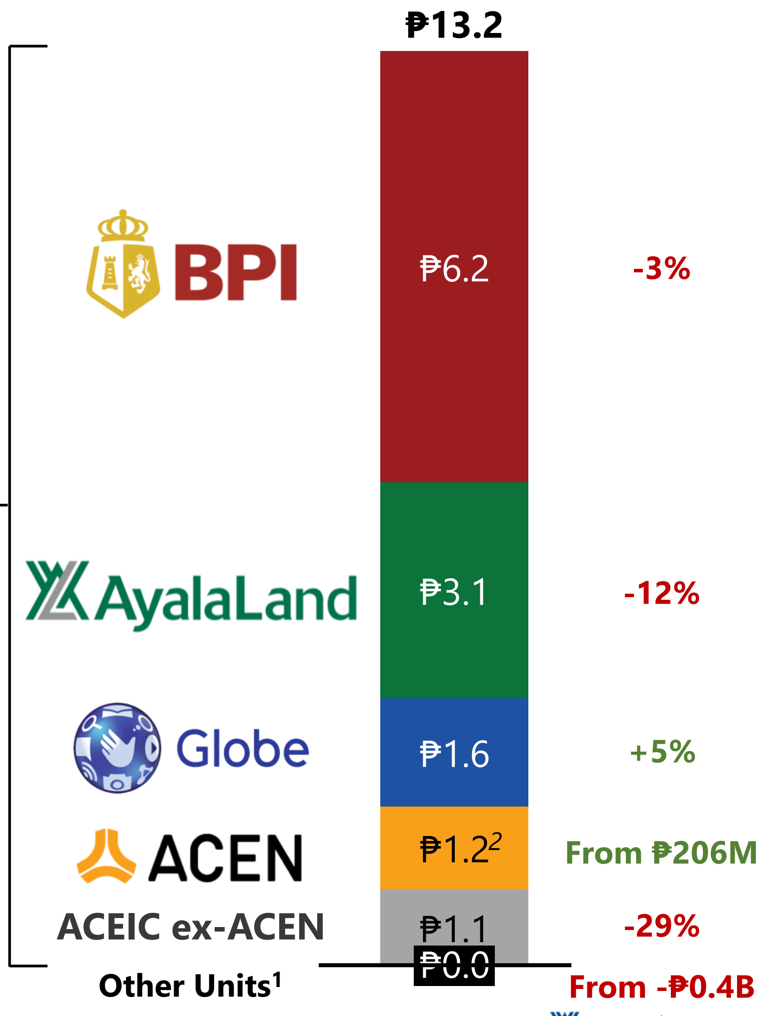
In billions



Equity Earnings

In billions





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