Ayala

Ayala Corporation

1H24 Analysts' Briefing

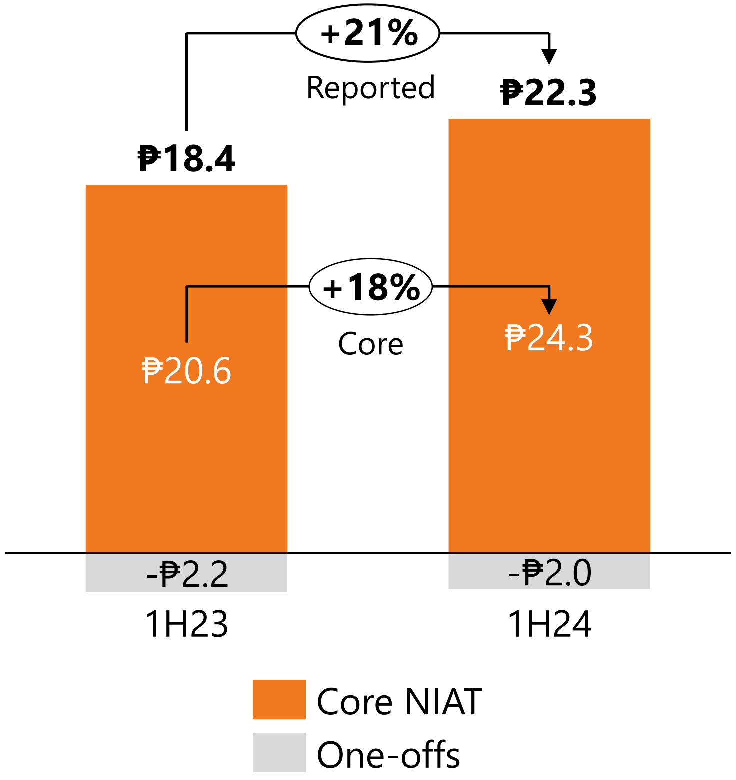
Financial and Operating Results

August 14, 2024

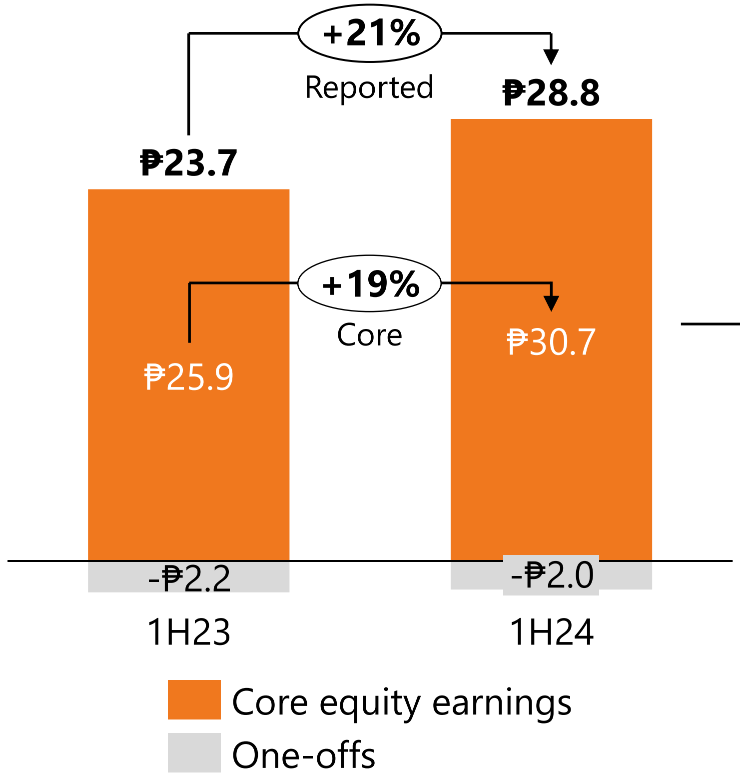
https://www.ayala.com/investors/presentations

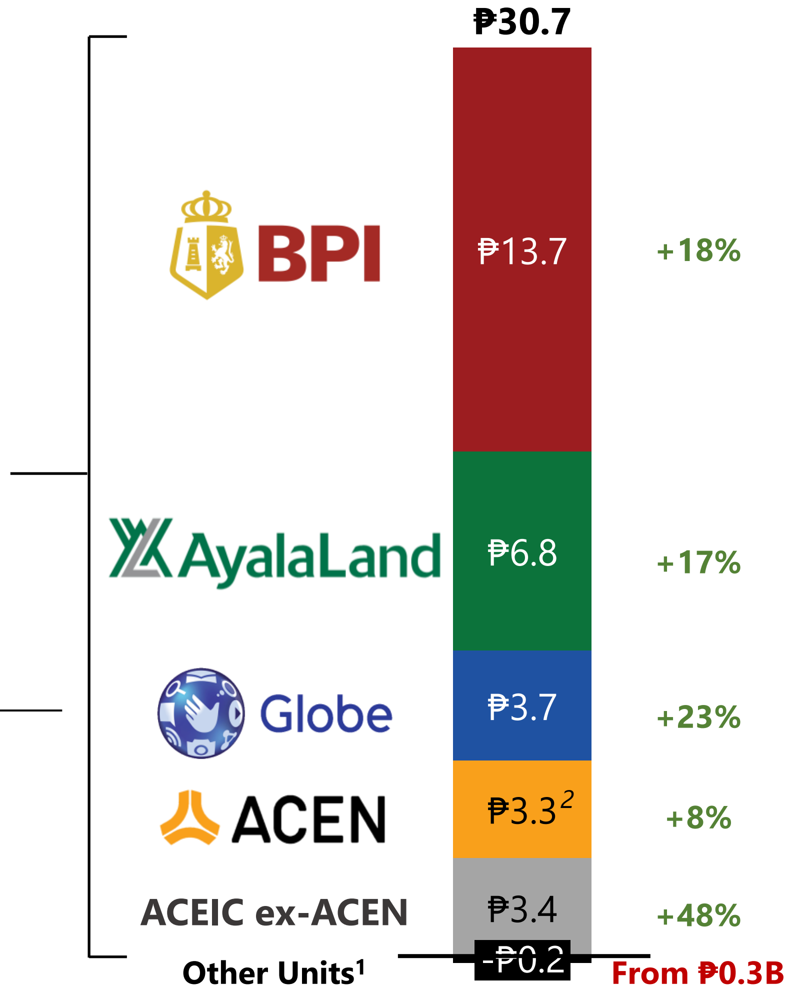
Core NIAT grew 18% to ₱24 billion driven by strong growth across Ayala's core BUs and ACEIC

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

Robust topline growth drove BPI and ALI; Mynt continued to lift Globe's earnings; New capacity and higher net seller position boosted ACEN's income

BPI

- **NIAT up 22%** on higher net interest income (+22%) and non-interest income (+29%).
- **Gross loans grew 17%.**
  - Institutional loans up 11%; consumer led by credit cards (+35%), mortgage (+32%), personal loans (+129%), and auto (+37%).
  - NIM up **22bps** to 4.32%.
- **Asset quality consistent with expectations; NPL ratio at 2.20%,** 32bps higher as expansion in high yield segments supported 77bps increase in asset yield to 6.41%.
- **ROE stable at 15.5%,** ROA at 2.0%, up +8bps.

AyalaLand

- **NIAT up 15%** driven by sustained growth in property development and leasing.
- **Residential revenues up 40%** on higher bookings across all segments.
  - Reservation sales up 17% YoY.
  - ₱33.7B in launches YTD; ₱85B target for 2024.
- **Leasing revenues up 10%** on higher rents, occupancy, and contributions from new assets.
  - Mall and office revenues up 8% and 6% respectively.
  - Hotels & Resorts revenues grew by 19%.

Globe

- **Core NIAT up 18%** as GSR (+2%) and higher Mynt contributions outpaced OPEX growth.
  - **NIAT up 1%** due to sale of tower assets last year.
  - **EBITDA up 6%** and EBITDA margin rose to 52% on topline growth and cost management.
- **Mynt equity earnings up 120%** to ₱2.1B (12% of NIBT).
  - Mynt's net income more than doubled to ₱6.3B.
  - Loans disbursed up 73% to ₱155B.
  - 5.4M unique borrowers, up 71%.
- **1H24 CAPEX down 25%** to ₱28.3B.
  - FCF at ₱6.7B; -₱7.5B without tower sales, vs 2023 -₱28.9B in 2023**.**

ACEN

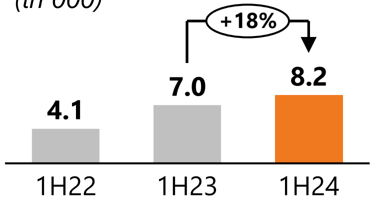
- **NIAT up 21%** excluding value realization gains.
  - **NIAT up 49%** on higher RE output and strengthened local net selling merchant position (+80%).
- **Attributable RE generation output up 42%** to 2,908 GWh on new solar and wind farms.
  - New plants in 1H24 contributed 44% of total RE output.
- **Attributable RE capacity at 4.8GW.**
  - 64% or 3.1GW fully operational, 5% or 217MW partially operating.
  - 81% of output is contracted.
  - Over 1GW to come online in 6-12mos.

AC Health continued to grow across all verticals with its new businesses showing traction

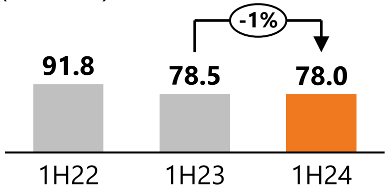
- **Topline revenues grew 12% to ₱4.4B**
  - Provider group up **22%**
  - Pharma group up **3%**
- **New businesses are gaining traction**
  - FEU-NRMF now **EBITDA positive**, revenues up 15%
  - Cancer Hospital (HCCH) now serving **1,300 patients, revenues up 30% MoM.**
  - St. Joseph **revenues up 10%.**
  - KonsultaMD (KMD) grew **B2B accounts by 55%, serving 1M active users.**
- Net loss at ₱327M.
  - **Excluding HCCH and KMD, net loss at ₱79M.**

Hospitals

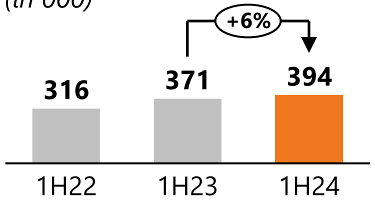
Inpatient Count
(in 000)



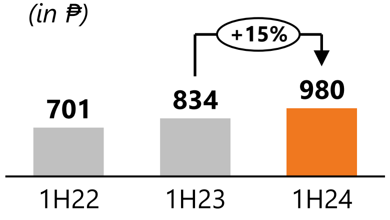
Inpatient Average Spend
(in ₱ 000)



Outpatient Procedures
(in 000)



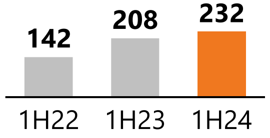
Outpatient Average Spend
(in ₱)



- **Expanded service offerings and doctor engagement strategies** drive patient count growth.
- **Inpatient occupancy (41%), outpatient procedures** and **average spend remain elevated** post-pandemic.
- Newly-installed clinic mammograms, Cath Lab, and Stone Center in Sta Rosa to drive **increased utilization and value.**

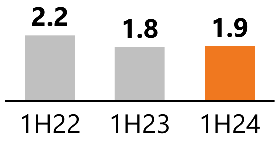
Clinics

Patient Count
(in 000)



- **10% growth in patient count** on ramp up of new clinics

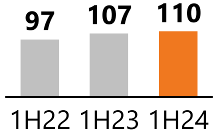
Average Spend
(in ₱ 000)



- **Average spend stable** despite stick inflation

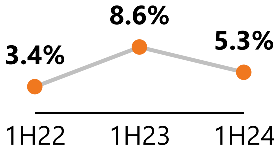
Pharma Retail

Transaction count
(daily ave per store)



- Increase driven by **focused store activity executions, stable supply and marketing.**

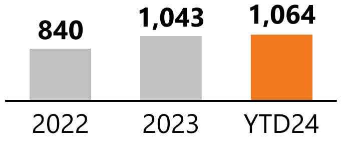
SSSG



- **Generika saw 5.3% SSSG** vs -5.5% industry SSSG

Pharma Distribution

CPR[1] Count



- Continued CPR growth **driven by new products** that cater to priority therapeutic areas.

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

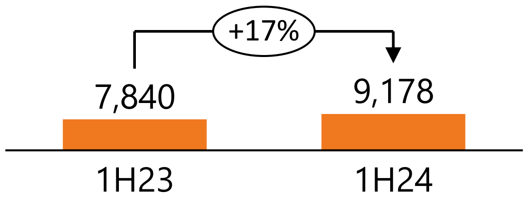
AC Industrials' core net loss widened on continued headwinds; AC Logistics narrowed core losses post Entrego closure

AC Industrials
An Ayala Company

- **AC Industrials:** Core net loss at ₱596M as IMI, Merlin Solar, and our 2W businesses continue to be challenged.
  - Reported loss at ₱5.3B due to impairments in IMI (₱4B) and VIA (₱670M).

- **ACMobility:** While net income was lower at ₱24M (₱312M in same period last year), this is a turnaround from the ₱35M loss incurred in 1Q24 due to dividends from Isuzu's manufacturing and distributorship.
  - Unit sales grew 17% to 9,178 driven by BYD and Kia.
  - BYD continues to gain traction with sales trending above budget, now making up two-thirds of the BEV market.

ACMobility sales



- **IMI:** Turnaround initiatives through prioritizing high growth and high-margin segments, streamlining operations, and rightsizing are in place.
  - IMI core saw positive operating income on lower costs
  - One-time expenses related to these initiatives are expected this year, but should be offset by long-run cost savings.
  - Net loss at $8.8M on continued market softness.

AC Logistics
An Ayala Company

- **Net loss ex one offs narrowed to** ₱510M from ₱617M driven by the integration of Entrego operations into AIR21.
  - Net loss at ₱3.0B; ₱2.2B impairment on Entrego due to its closure.

- **Cross border unit (UFreight, UOcean, Cargohaus)**
  - UFreight and UOcean net loss at ₱3M; without one-off tax exposure, income was up 2.2x to ₱65M.
  - Cargohaus net loss at ₱130M; expansion projects in place to reverse bottomline.

- **Domestic unit**
  - Net loss narrowed ₱230M from ₱719M on improved utilization rates and reduced costs post Entrego closure.
  - Rationalization to continue over ~12 months; expected to bear fruit late in 2025.

- **Cold storage**
  - CDO facility hit positive EBITDA of ₱25M, tracking above expectations.
  - GMAC Davao Phase 1 expansion expected to finish Nov 2024; Phase 2 expansion targeted on Nov 2025.

In line with Ayala's portfolio sharpening initiatives, we are increasing our stake in Mynt while taking in new strategic investors in Merlin Solar

mynt finance for all

- **AC increases its stake in Mynt by 8% for ₱22.9B, valuing Mynt at ₱286.4B**
- **Post transaction ownership**
  Ayala - 13% | Globe - 34% | Ant - 33% | MUFG - 8% | Others - 12%
- **Key details**
  - The transaction is aligned with AC's strategy of redeploying capital into clear winners
  - MUFG's balance sheet and reach supports Mynt's push to grow its lending business
  - ₱12.8B of AC's ₱22.9B share will be funded via cash; the balance via debt

MERLIN SOLAR

- **Ayala and other investors participated in an equity funding for Merlin that will reduce Ayala's indirect stake from 99% to 56%**
- **Post transaction ownership**
  Ayala - 56% | New investors - 44%
- **Key details**
  - The partnership provides Merlin with fresh capital, a wider customer network to drive the company's next phase of growth, and enhanced technical expertise
  - The transaction supports Ayala's strategic agenda of rationalizing its portfolio.



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

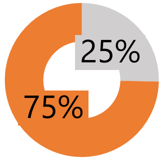
Balance Sheet Metrics

In ₱ billions

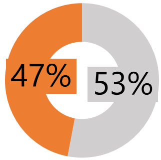
	End-2023	1H24
Consolidated		
Cash	76.2	77.2
Gross debt	589.8	613.3
Net debt	504.8	536.1
Net D/E	0.75	0.76
Parent		
Cash	11.7	17.4
Gross debt	157.9	163.8
Net debt	146.1	146.4
Net D/E	0.96	0.91
LTV ratio	11.2%	10.9%
Dividend/share	7.27	7.99

Profile of Obligations and Credit Lines

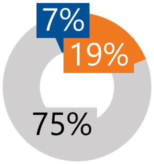
Rate Profile



Credit Lines (~₱64.6B)



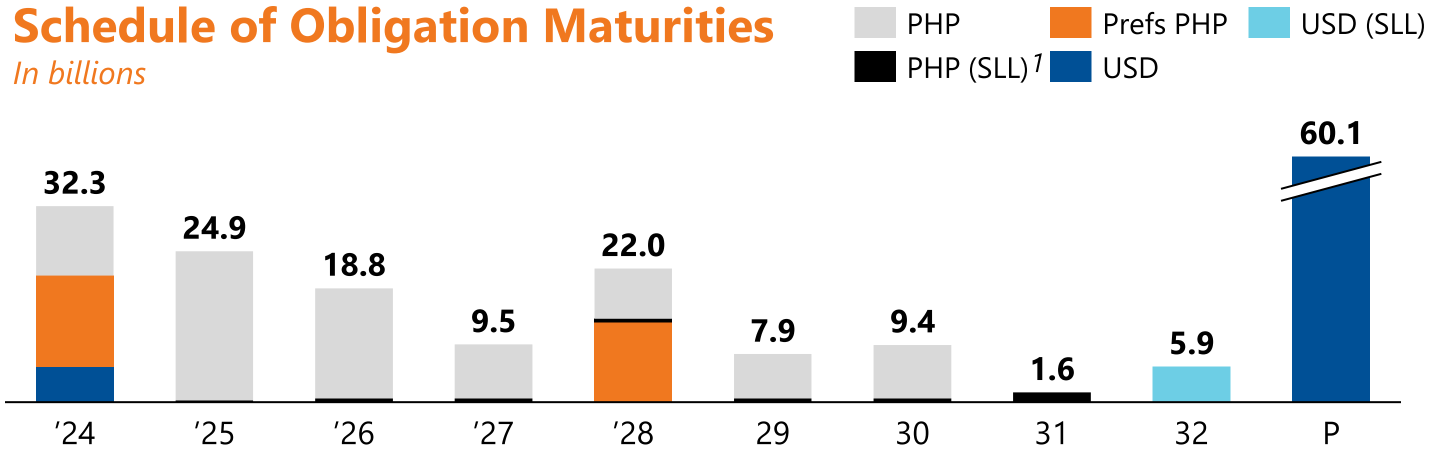
Debt Financing Profile



Average cost of debt: 5.42%

Schedule of Obligation Maturities

In billions



[1]Sustainability-linked loans and social bonds

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