

PLDT (TEL PM)

FUNDAMENTAL VIEW ¹

As of 10 May 2024

- PLDT's FY23 and 1Q24 results were stable as expected; we see a modestly improving FY24 credit outlook aided by resilient EBITDA growth and residual PHP 15 bn of tower sales, which could offset persisting high capex and dividends.
- A potential stake sale of the data center business could drive further deleveraging.
- While the spillover of a PHP 33 bn capex overrun to FY24-FY25 could weigh on free cash flows, we draw mild comfort that it was likely not due to fraud but rather a management misstep.

RISKS & CATALYSTS

As of 10 May 2024

- Aggressive expansion by new entrant DITO over the next 2-4 years could chew away at PLDT's market share and restrain recoveries in average revenues per user (ARPU).
- PLDT incurs significant capex that has restrained improvements in its leverage metrics and free cash flows. This is worsened by a recent capex overrun that has induced mild corporate governance uncertainties (though these have eased in recent months).
- Consistently high dividend payouts could worsen PLDT's already negative free cash flows.
- PLDT is exposed to \$/PHP depreciation risks (\$300 mn 2050 bond is fully unhedged).

CREDIT QUALITY SCORE (CQS)²

As of 21 Jun 2024

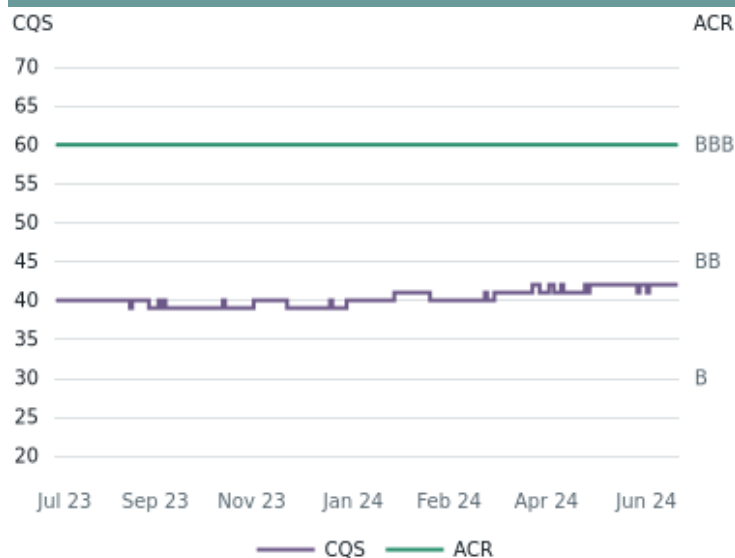
CURRENT CQS

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CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 10 May 2024

| PHP BN | FY21 | FY22 | FY23 | 1Q23 | 1Q24 |
|----------------------|--------|--------|--------|--------|--------|
| Debt to Book Cap | 68.3% | 71.9% | 73.3% | 72.2% | 74.1% |
| Net Debt to Book Cap | 62.3% | 65.7% | 69.3% | 65.7% | 70.7% |
| Debt/Total Equity | 215.2% | 256.2% | 273.9% | 260.3% | 286.6% |
| Debt/Total Assets | 43.8% | 46.8% | 49.6% | 46.4% | 49.0% |
| Gross Leverage | 2.8x | 2.9x | 2.9x | 2.8x | 2.9x |
| Net Leverage | 2.6x | 2.7x | 2.8x | 2.5x | 2.7x |
| Interest Coverage | 8.1x | 7.4x | 6.5x | 7.4x | 6.4x |
| EBITDA Margin | 50.7% | 48.7% | 49.1% | 48.6% | 52.0% |

BUSINESS DESCRIPTION

As of 10 May 2024

- PLDT is a leading telecom operator in the Philippines, competing alongside its main rival Globe Telecom in a predominant duopoly.
- PLDT provides 2G/3G/4G mobile, fixed-line, broadband, enterprise data, and other digital services to retail and corporate customers.
- PLDT operates through 2 main business segments – “Wireless Services” and “Fixed Line Services”.
- Its “Wireless” segment offers mobile voice, mobile SMS, mobile data and mobile broadband services to retail customers in the Philippines. These services are marketed under the “Smart Postpaid”, “Smart Prepaid”, “Sun Postpaid” and “TNT Prepaid” brands.
- Its “Fixed Line Services” segment provides fixed line voice, corporate data and home broadband services to retail and corporate customers in the Philippines.
- PLDT commercially launched 5G services on a small-scale basis in Jul-2020. It currently has over 3,000 5G sites nationwide.
- PLDT maintains dominant market shares in the mobile data, voice and SMS space (FY21 revenue market share [RMS] of 47% vs Globe 52%), the fixed line voice space (FY21 RMS of 90% vs Globe 10%), and the home broadband space (FY21 RMS of 45% vs Globe 31%).
- PLDT is backed by three established corporate groups, namely First Pacific (~15% stake), NTT Corporation (~12% stake) and JG Summit Holdings (~7% stake).

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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