

SMC Global Power (0192889D PM)

FUNDAMENTAL VIEW ¹

As of 14 Nov 2024

- We see lower non-call risk for SMC GP's c.2025 and c.2026 perps owing to strong near-term parental funding support, its recent c.2024 perp refinancing, and recent bond exchange/tender with a new \$900 mn c.2029 perp issuance.
- We see an improving credit outlook for SMC GP aided by lower thermal coal input costs, new contracts, and capacity additions, but are wary of net cash flow uncertainties from a planned \$3.3 bn LNG project.
- While SMC GP improved its cost passthrough contractual mix from end-FY23 onwards, the company still remains exposed to high thermal coal input costs (~45-50% of contracts).
- SMC GP incurs sizable capex that has led to additional debt incurrence and elevated credit metrics.

RISKS & CATALYSTS

As of 14 Nov 2024

- SMC GP still has \$527 mn/\$1.3 bn of c.2025 and c.2026 perps outstanding to be addressed, though we see low non-call risks.
- A moderate portion of SMC GP's off-take contracts (~45-50%) do not contain cost pass-through mechanisms. This exposes the company to a rise in thermal coal input costs that could squeeze its EBITDA margins.
- SMC GP incurs sizable capex that has spurred additional debt incurrence. Consequently, its credit metrics remain elevated.
- Over 88% of SMC GP's installed capacity is thermal coal or gas-fired, which may be viewed unfavorably from an ESG perspective.

KEY METRICS

As of 14 Nov 2024

PHP BN	FY21	FY22	FY23	9M23	9M24
Debt to Book Cap	66.7%	69.2%	62.8%	62.5%	62.4%
Net Debt to Book Cap	57.7%	66.4%	59.4%	59.4%	58.8%
Debt/Total Equity	199.9%	224.6%	168.7%	166.6%	165.6%
Debt/Total Assets	79.2%	79.0%	73.8%	75.8%	71.3%
Gross Leverage	10.5x	19.4x	13.0x	15.2x	10.5x
Net Leverage	9.1x	18.6x	12.2x	14.4x	9.9x
Interest Coverage	2.5x	1.4x	2.2x	1.9x	2.4x
EBITDA Margin	35.9%	13.2%	26.4%	28.8%	25.7%

BUSINESS DESCRIPTION

As of 14 Nov 2024

- SMC GP is a leading power generation and distribution company in the Philippines. As at 31 December 2021, its total generation capacity stood at 4.7 GW, accounting for ~20% of the national grid.
- The bulk of its revenues is derived from power generation (~82%), with the remainder from electricity distribution and retailing (~18%).
- It operates 7 power generating plants across diversified energy sources, comprising coal (~62%), natural gas (~25%), hydro (~12%) and battery energy storage (~1%).
- Through long-term power supply agreements and retail supply contracts, SMC GP either sells electricity directly to customers (including large Philippines power distribution company Manila Electric Company, distribution utilities and other industrial customers), or through the Philippine Wholesale Electricity Spot Market.
- SMC GP acts as the Independent Power Producer Administrator (IPPA) for three power plants (~54% of total capacity), where it has the right to sell electricity generated by the IPPs without having to bear large upfront capital expenditures for plant construction and maintenance.
- SMC GP also distributes and retails electricity services through its wholly-owned subsidiary Albay Power and Energy, which distributes power in the province of Albay, Luzon.
- SMC GP is a wholly-owned unlisted subsidiary of San Miguel Corporation, one of the largest and most diversified conglomerates in the Philippines based on total revenues and assets.

Copyright CreditSights 2023. CreditSights Risk Products, including its Credit Quality Scores and related information are provided by CreditSights Analytics, LLC. CreditSights Limited is authorized and regulated by the Financial Conduct Authority (FCA).

This product is not intended for use in the UK by retail clients, as defined by the FCA. Information is correct as of the date(s) shown above, and may have changed subsequent to such date(s). Please see page 2 for important disclosures and limitations on the information presented above.

DISCLAIMER

Important Notice

This report ("Report") is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. This Report is not intended to be distributed to anyone in any jurisdiction where the receipt of this Report by such person would be legally or regulatorily impermissible and any such distribution has not been authorized by CreditSights.

Except as expressly set forth herein, user shall not transfer, sell, license, sublicense, publish, transmit, redistribute or disseminate this Report or any other CreditSights research reports or any summary or portion thereof (collectively, the "Products") in any manner or in any media or release or otherwise provide access to the Products or any portion thereof to any other person without the prior written consent of CreditSights. Any such unauthorized distribution of such material is prohibited by law and can result in prosecution. In addition, user shall not alter, modify, adapt or create derivative works based on the Products or any portion thereof.

All proprietary rights in relation to the Products (including, without limitation, all copyrights, trademarks, trade secrets and other intellectual property rights) are and remain the sole and exclusive property of CreditSights and/or its third party licensors and nothing herein shall transfer any right to or interest in the Products, in any data included therein or component thereof, or in any proprietary rights pertaining thereto.

The Products contain information and data which are compiled from sources believed by CreditSights to be accurate and reliable and are presented for general information use only. However, CreditSights disclaims any and all liability with respect to the truth, accuracy or completeness of the information and data conveyed. Accordingly, the products are being provided to user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the Products and of any such information or data. Furthermore, CreditSights does not warrant that the Products will meet any user's requirements.

Investing in fixed income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments, inflation, and yield and price changes due to fluctuations in interest rates. When interest rates go up, bond prices typically drop, and vice versa; this effect can be more pronounced with longer term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a loss.

Neither CreditSights nor its affiliates ("CreditSights Parties") will be responsible for or have any liability for any injuries or damages, including injuries or damages that may result from (i) the reliance of any person upon any information or opinion provided or (ii) any errors, inaccuracies, omissions in, or any other failure of, the Products, from whatever cause. To the fullest extent provided by law, CreditSights shall not be liable for direct, indirect or incidental, special or consequential damages resulting from the information in the Report and/or from decisions taken or not taken by an investor on the basis of such information, regardless of whether such damages were foreseeable or unforeseeable.

Any statements that are not factual in nature constitute only current opinions, which are subject to change without notice. CreditSights does not recommend the purchase or sale of financial products or securities, and does not give investment advice and does not provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Recommendations made in a report may not be suitable for all investors and do not take into account any individual user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints. The Products are created for use by CreditSights clients and any other recipient who receives this report will be receiving it after it has been distributed to such clients, who may have traded based on information contained in the report; however, the Products are intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Information included in any report that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. To the extent the Products contain summaries of other documents, such as indentures, reference is made to such other documents for a complete statement of the terms thereof. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in a report may not reflect the most current legal developments.

Certain data appearing in this Report is owned by, and used under license from, certain third parties. Please see "Legal Notices" at www.creditsights.com for such information. Terms and conditions are also available at Terms & Conditions.

CreditSights, Inc. is an independent investment research provider whose affiliate, CreditSights Ltd, is authorized and regulated by the Financial Conduct Authority ("FCA"). CreditSights Products are not intended for use in the UK by Retail Customers, as defined by the FCA. CreditSights Risk Products, including its Credit Quality Scores and related information, to the extent incorporated in any Products, are provided by CreditSights Analytics, LLC, an affiliate of CreditSights.

If you have any questions regarding the contents of this Report, please contact CreditSights at legal@creditsights.com.

This document is made available to clients under an agreement between Metropolitan Bank & Trust Co. ("Metrobank") and CreditSights, Inc., an independent investment research provider. It is for information purposes only and does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation of any future market movements.

This document is for general guidance only. It is not intended to be the sole basis of any evaluation or treatment of any financial instrument. Past performances are not necessarily an indication much less a guarantee of any future performance.

Metrobank does not make any representation as to the accuracy or completeness of the information provided herein. You should consult your own professional advisers prior to entering into any agreement. You acknowledge that Metrobank is not in the business of providing legal, accounting, auditing or appraisal advice. Metrobank assumes no responsibility whatsoever for the consequence of any investment, trading or business decision that is taken on the basis of the information in this document.

Metrobank is a commercial bank whose businesses include active trading and market making in foreign exchange, securities and derivatives. The Bank's traders, investing, lending and sales personnel may make investment decisions, or may provide oral or written market commentary or trading strategies that contradict the views expressed herein.