

SMC Global Power (0192889D PM)

FUNDAMENTAL VIEW ¹

As of 20 Aug 2025

- 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. Net cash inflows of \$2.1-\$2.2 bn from the completion of an LNG deal is also positive.
- While SMC GP improved its cost passthrough contractual mix from end-FY23 onwards, the company still remains exposed to high thermal coal input costs (~40-50% of contracts).
- SMC GP incurs sizable capex that has led to additional debt incurrence and elevated credit metrics.

RISKS & CATALYSTS

As of 20 Aug 2025

- SMC GP still has \$307 mn/\$1.2 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 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 80% 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 20 Aug 2025

PHP BN	FY22	FY23	FY24	1H24	1H25
Debt to Book Cap	69.2%	62.8%	64.4%	62.8%	59.5%
Net Debt to Book Cap	66.4%	59.4%	57.7%	60.9%	50.5%
Debt/Total Equity	224.6%	168.7%	181.2%	169.2%	146.7%
Debt/Total Assets	79.0%	73.8%	73.8%	72.1%	68.4%
Gross Leverage	19.4x	12.9x	11.9x	10.7x	10.4x
Net Leverage	18.6x	12.2x	10.7x	10.4x	8.8x
Interest Coverage	1.4x	2.2x	2.3x	2.4x	2.2x
EBITDA Margin	13.2%	26.4%	26.6%	30.1%	37.4%

BUSINESS DESCRIPTION

As of 20 Aug 2025

- SMC GP is a leading power generation and distribution company in the Philippines. Its total generation capacity stands 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.

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