

 PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	DOUBLEDRAGON CORPORATION

Date: June 13, 2024
Analysts: Ann Louise E. Casabuena
Joan Grace P. Bual
Fatima Elaine R. Magpantay-Pascual
Lourdes B. Tabarina

5th Floor ALGO Center
162 L.P. Leviste St., Salcedo Village
Makati City, Metro Manila
1227 PHILIPPINES
(632) 8812-3210
(632) 8812-3215

ISSUE CREDIT RATING FOR DOUBLEDRAGON'S PROPOSED BOND ISSUANCE

Amount	Tenor	Interest	Assigned Rating and Outlook
P10.0 billion*	3.5 years	BVAL + 150-200 basis points (bps)	PRS Aaa, Stable

*Under a shelf registered debt program, to be issued in one or more tranches

Use of Proceeds: The proceeds will be used to: (a) refinance certain existing debt obligations, and (b) for general corporate purposes.

MONITORING OF THE ISSUE CREDIT RATING OF DOUBLEDRAGON'S OUTSTANDING BOND ISSUANCES

Amount	Issue Date	Maturity	Interest Rate	Assigned Rating and Outlook
P5.3 billion	December 15, 2016	December 15, 2026	5.9721%	PRS Aaa, Stable
P9.7 billion	July 21, 2017	July 21, 2024	6.0952%	
Total – P15.0 billion				

RENEWAL OF ISSUER CREDIT RATING IN RELATION TO ITS OUTSTANDING CORPORATE NOTES AND DOLLAR BONDS

Amount	Issue Date	Maturity	Interest Rate	Assigned Rating and Outlook
P2.535 billion	September 8, 2023	March 8, 2025	9.5307%	PRS Aaa (corp.), Stable
P1.08 billion	September 8, 2023	September 8, 2028	9.5354%	
P1.0 billion	May 23, 2024	September 8, 2028	9.5354%	
Total – P4.615 billion				

Tranche	Amount	Issue Date	Maturity	Interest Rate	Assigned Rating and Outlook
1	\$75.0 million	July 27, 2020	July 27, 2025	7.25%	PRS Aaa (corp.), Stable
2	\$55.0 million	March 16, 2022	July 27, 2025	7.25%	
3	\$30 million	November 18, 2022	July 27, 2025	7.25%	
4	\$20.0 million	March 22, 2023	July 27, 2025	7.25%	
Total – \$180.0 million					

As of March 31, 2024, DoubleDragon Corporation (the Company or DoubleDragon) through DDPC Worldwide Pte Ltd (DWPL) has issued a total of \$180.0 million in unsecured, bilateral, long-term US Dollar bonds listed in the Singapore Exchange Securities Trading Limited (SGx-ST), with DoubleDragon as guarantor. DWPL is a special purpose vehicle (SPV) for DoubleDragon's international fund-raising activities.

Rating and Outlook Definition:

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings.

A company rated **PRS Aaa (corp.)** has a VERY STRONG capacity to meet its financial commitments relative to that of other Philippine corporates. **PRS Aaa (corp.)** is the highest Corporate Credit Rating assigned on the PRS scale.

An Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A **Stable Outlook** is defined as: "The rating is likely to be maintained or to remain unchanged in the next twelve months."

RATIONALE

The ratings and Outlook assigned take into account the following key considerations:

1. Clearly-defined and well-executed growth strategy

Since it began operations in 2010, DoubleDragon has successfully expanded its investment property portfolio to over 1.3 million square meters (sq m) as of end-March 2024. Its diversified asset portfolio consists of provincial community malls in Luzon, Visayas, and Mindanao, office buildings in Metro Manila, as well as hotels and warehouse complexes around the country.

Having met its target of 1.2 million sq m of completed gross floor area (GFA) in 2021, DoubleDragon has set a new target of increasing its portfolio to 2.4 million sq m of GFA by 2030, spread across its four core business segments: 30% in retail, 15% in office, 20% in hospitality, and 35% in industrial leasing. To achieve these targets, the Company aims to grow its hospitality and industrial leasing segments.

DoubleDragon envisions Hotel101 to have one million rooms, operating in over 100 countries worldwide. As an initial step in relation to this long-term goal, Hotel101 has identified the first 25 priority countries for its expansion. For its industrial segment, DoubleDragon targets to operate one CentralHub complex in each of the 82 provinces of the Philippines. At present, CentralHub continues to build up its industrial leasing portfolio, as it prepares to undertake the first Philippine

Industrial REIT initial public offering (IPO). DoubleDragon aims to file its IPO documents with the securities regulators as soon as the REIT capitalization rates¹ go back to the 5-6% levels.

2. The Company's experienced management and its ability to form solid alliances with industry-recognized partners

Mr. Edgar Sia II is the Chairman and Chief Executive Officer (CEO) of DoubleDragon, and Mr. Tony Tan Caktiong is a Director and Co-Chairman of the Company. The two are among the most successful fast food chain entrepreneurs in the country. PhilRatings notes that DoubleDragon has greatly benefited from Mr. Sia and Mr. Tan Caktiong's experience in successfully growing their businesses. Even with its smaller size and relatively shorter track record of 13 years in the highly-competitive property development industry, the Company has been able to pursue and implement its growth strategy and set up a good platform—which will serve as a springboard for future expansion and growth, going forward.

At present, DoubleDragon operates its retail leasing segment primarily through its subsidiary, CityMall Commercial Centers Inc. (CMCCI), which is 66% owned by the Company and 34% owned by SM Investments Corp. (SMIC). As of March 31, 2024, the Company had 43 operational CityMalls, seven under construction, and 14 under development.

In April 2024, DoubleDragon subsidiary Hotel101 Global Pte. Ltd. (Hotel101 Global) entered into a definitive merger agreement with JVSPAC Acquisition Corporation. The combined entity is expected to be publicly listed in the US-based stock market exchange NASDAQ² under the ticker symbol 'HBNB'. With the transaction, HBNB will become a majority-owned subsidiary of DoubleDragon and the first ever Filipino majority-owned subsidiary to list via special purpose acquisition company (SPAC)³ in the US Stock Exchange. The business merger and listing are expected to be completed by the second half of 2024. The listing, the first for a Philippine company, provides the company with access to public funds and will help accelerate its global expansion plans. The merger between Hotel101 Global and JVSPAC Acquisition Corporation is expected to result in Hotel101 Global having an equity value of \$2.3 billion.

JVSPAC Acquisition Corp. is a blank check company⁴ led by its Chairman and Chief Executive Officer (CEO) Albert Wong, who has been the CEO and Director of Kingsway Group Holdings, the sole distributor of Lamborghini in Hongkong, Macau and Guangzhou. Kingsway is also the lone distributor of Koenigsegg Automotive, Rimac Automobili and Bugatti Automobiles for China, including Hongkong and Macau.

¹ The capitalization rate is the ratio of a REIT's net operating income over its asset value. It is a metric used by investors to determine a REIT's profitability as well as to compare its valuation with other REITs. Colliers, a diversified professional services and investment management company, estimated that the capitalization rates for industrial properties in Manila ranged from 8-10% in the second quarter of 2023.

² National Association of Security Dealers Automated Quotations or NASDAQ is a U.S.-based stock market exchange, and the second-largest stock exchange by market cap globally.

³ A SPAC is a company without commercial operations, and is formed strictly to raise capital through an initial public offering for the purpose of acquiring or merging with an existing company.

⁴ A blank check company is a publicly-traded, developmental stage company that has no established business plan. It may be used to gather funds as a startup or, more likely, it has the intent to merge or acquire another business entity.

3. Conservative financial position considering the capital-intensive nature of the Company's businesses

The Company has maintained a conservative capitalization structure, with debt-to-capitalization ratio hovering at 40-42% in the last two years. Debt-to-equity (DE) ratio held steady at 0.7x. DE ratio will remain more than acceptable, at less than 1.0x over the projected period. From 0.7x as of end-2023, DE ratio will further improve to 0.3x by end-2029.

These numbers indicate that the company has enough room for additional debt, if needed.

4. Expectations of improved operating cashflow, backed by increasing rental income

DoubleDragon sees the growth of its recurring income stream across four property pillars: retail, office, industrial, and hospitality, as one of its key business strategies. In the near term, operating cashflow is forecast to be positive on account of increased recurring income from leasing operations. Moreover, DoubleDragon expects its debt level to decline as the Company continues to generate positive cash from operations and as its cash reserves build up. Funding requirements for financing and investing needs are projected to primarily come from operating cash and cash reserves.

BUSINESS PROFILE

Company Background

DoubleDragon Corporation, formerly known as DoubleDragon Properties Corp., was a company founded by Edgar "Injap" Sia II in December 2009 to primarily engage in the business of real estate development and other real estate-related business ventures. DoubleDragon started commercial operations in November 2010. The Company, therefore, has been in operation for 13 years.

Originally established as Injap Land Corporation, the Company was the Sia family's initial foray into real estate development. In June 2012, DoubleDragon became a 50-50 joint venture between Injap Investments Inc., the holding company of the Sia family, and Honeystar Holdings Corporation (Honeystar) of the Jollibee Group, the holding company of the Tan and Ang families. Considering that both Mr. Sia and Tony Tan Caktiong, the Head of Honeystar and Founder and Chairman of Jollibee Foods Corporation (JFC), were both born in the Chinese year of the dragon, the Company changed its corporate name to DoubleDragon Properties Corp. in July 2012. In November 2021, the Board changed the Company's name to its present name as part of its transformation to an investment and holding company.

DoubleDragon's shares have been listed on the Philippine Stock Exchange (PSE) since April 2014 under the ticker symbol 'DD'. Originally listed on PSE's Small, Medium, and Emerging Board (SME Board), it transferred to the PSE Main Board in July 2015. A year after, in July 2016, DoubleDragon likewise listed its P10.0 billion worth of Preferred Shares in the PSE Main Board. As of June 6, 2024, the Company had a market capitalization of P27.16 billion.

PhilRatings notes that its subsidiary DDMP REIT, Inc. (DDMP REIT) is also listed as a Real Estate Investment Trust (REIT) in the PSE. It had a market capitalization of P20.50 billion as of June 6, 2024.

At present, DoubleDragon has over 1.3 million sq m of diversified asset portfolio consisting of provincial community malls in Luzon, Visayas, and Mindanao; office buildings in Metro Manila; hotels in the Philippines and overseas; and warehouse complexes around the country. As of March 31, 2024, the Company had 312.06 hectares (ha) of land bank available for the development of its various projects. Management expects such to be enough for over ten years of development.

DoubleDragon owns and operates the abovementioned leasable properties through its four principal business segments: retail leasing, office leasing, hospitality, and industrial leasing.

The Company's revenue profile according to operating segments is shown in the next table:

Table 1 DoubleDragon's Revenue Profile for Years 2021 to 2023 and for the latest interim period 1Q2024/2023

in millions PHP	2021		2022		2023		1Q2023		1Q2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Leasing	13,386.15	84.05	11,158.08	78.97	20,678.63	83.58	949.53	55.35	878.92	42.84
Office	8,700.95	54.63	4,379.35	30.99	11,175.41	45.17	548.39	31.97	615.57	30.00
Retail	4,582.24	28.77	6,555.87	46.40	9,128.02	36.89	366.29	21.35	224.19	10.93
Industrial	102.97	0.65	222.87	1.58	375.20	1.52	34.85	2.03	39.16	1.91
Real Estate Devt.	778.08	4.89	1,573.89	11.14	1,425.35	5.76	306.45	17.86	274.76	13.39
Hospitality	577.93	3.63	478.87	3.39	671.67	2.71	147.59	8.60	197.34	9.62
Others	8,528.29	53.55	4,725.86	33.44	6,888.85	27.84	946.33	55.17	1,802.61	87.86
Eliminations	- 7,344.62	- 46.12	- 3,806.39	- 26.94	- 4,922.62	- 19.90	- 634.47	- 36.99	-1,101.95	- 53.71
Total	15,925.84	100.00	14,130.31	100.00	24,741.88	100.00	1,715.42	100.00	2,051.67	100.00

The leasing and hospitality segments, which provide recurring revenues, are the core pillars of DoubleDragon's growth plans moving forward. Both of these segments will be discussed in detail in the next sections.

Aside from the abovementioned segments, the Company also has a real estate development segment. The real estate development segment is engaged in the development of real estate assets to be held as trading inventory and for sale. This segment was developed as part of DoubleDragon's strategy for its early-stage growth. Once its current inventory is fully sold, the Company will be transitioning out of this segment.

"Others" pertain to the segments engaged in marketing, selling and property management activities.

Business Segments

Retail Leasing Segment

DoubleDragon operates its retail leasing segment primarily through its subsidiary, CMCCI, which is 66% owned by the Company and 34% owned by SMIC. SMIC is the holding company of the SM Group, with core investments in Retail, Property, and Banking. As of report-writing date, SMIC had an outstanding Issue Credit Rating of PRS Aaa, with a Stable Outlook, for its outstanding bond issuance of P15.0 billion.

As of March 31, 2024, the Company had 43 operational CityMalls, seven under construction, and 14 under development. Of the seven CityMalls under construction, five are expected to open in the second half of 2024.

The Company believes CityMall is the first branded independent community mall chain to focus on the provincial areas in the country. CityMalls are located close to national highways for maximum visibility and exposure. CityMall houses top local fastfood brands such as: Jollibee, Mang Inasal, Chowking, Greenwich, Red Ribbon and Highlands Coffee, among others. PhilRatings notes that these are brands of Mr. Tan Caktiong's successful fast food portfolio, indicating a strong synergy among the businesses of DoubleDragon's shareholders.

The Company also rolled out cinemas in a number of CityMall locations. As of December 31, 2023, a total of 12 CityMall cinemas were operational. The number was unchanged from the last rating review.

The Company's agreements with tenants mostly have a term of one to five years, with the exception of some of the larger anchor tenants, whose leases can last for up to 15 years. Kiosks are on annual lease terms, and which are renewable on an annual basis. Majority of the Company's leases are on fixed annual rates, subject to annual escalation clauses.

In addition to CityMall, DoubleDragon's mall portfolio include Dragon8 Mall and Umbria Mall.

Dragon8 Mall, located in Divisoria (Manila), offers approximately 9,800 sq m of leasable space to micro-retailers. Dragon8 Mall is expected to benefit from the upcoming completion of the first segment of the North South Commuter Rail (NSCR) urban rail transit project⁵ in 2027.⁶ The first segment of the railway, with ten stations, spans 38 kilometers from Malolos City in Bulacan to Tutuban in Manila. Once fully operational, it will reduce travel time between Tutuban and Malolos from over 90 minutes to just 35 minutes.

Umbria Mall in Biñan, Laguna, on the other hand, is a multi-story structure housing specialty shops, casual dining, cafes and deli shops, convenience and drug stores, wellness and beauty centers, and a supermarket.

Office Leasing Segment

At present, the Company derives most of its revenues from its office leasing segment. The Company's office leasing segment primarily consists of two key developments – the DD Meridian Park and the Jollibee Tower.

DD Meridian Park

DD Meridian Park is a 4.75-hectare project positioned as a mini central business district (CBD) in the Bay area given its prime landmark double corner location of EDSA, Roxas Boulevard and Macapagal Avenue in the Bay Area of Pasay City, Metro Manila. DDMP REIT, the subsidiary that owns the DD Meridian Park project, is 70%-owned by the Company.

The project consists of four phases:

⁵ The NSCR project is a 147-kilometer rail line, with 37 stations, stretching from Clark, Pampanga to Calamba, Laguna. Once fully operational, it will shorten travel time between these areas to less than two hours. The project, which has a total of three segments, is expected to commence full operations in 2028. (Source: <https://newsinfo.inquirer.net/1913156/pnr-laguna-to-pampanga-north-south-commuter-railway-done-in-2028>)

⁶ <https://www.bworldonline.com/economy/2023/12/12/563209/north-south-rail-expected-to-start-operating-in-2027-dotr/>

Table 2 Four Phases of DD Meridian Park Project

Phase	Buildings	Description	Construction Progress
Phase 1	DoubleDragon Plaza (Towers 1-4)	Commercial and Office building	Completed in 2018
Phase 2	DoubleDragon Center East	Office Building	Completed in 2019
	DoubleDragon Center West	Office Building	
Phase 3	Ascott-DD Meridian Park	Ascott-branded Serviced Residence	Completed in 2023
Phase 4	DoubleDragon Tower	Commercial and Office Building	Completed in 2021

In August 2023, the Company conducted a Topping Off Ceremony of Ascott-DD Meridian Park with the completion of the building structure and topmost floor of the project. Ascott-DD Meridian Park will feature over 300 luxury serviced residences. Located right behind DoubleDragon Plaza, Ascott-DD Meridian Park is expected to be operational and to begin generating recurring revenues by 2024.

PhilRatings notes that aside from the buildings mentioned above, the Company is also currently constructing DD Meridian Tower within the DD Meridian Park. DD Meridian Tower is an 11-storey office building comprising of eight floors dedicated to corporate offices, with a commercial component in the ground and upper ground levels. It is being developed by DD Meridian Tower Corp. which is 51% owned by DoubleDragon. DD Meridian Tower is expected to be completed in 2024.

According to the Company, Ascott-DD Meridian Park, DD Meridian Tower, and DoubleDragon Tower are potential assets to be infused into DDMP REIT when interest rates stabilize.

Jollibee Tower

Jollibee Tower is a 41-storey commercial and office tower situated in the Ortigas Central Business District (CBD) in Metro Manila. It is a joint venture between the Company and JFC, with the latter as the building's anchor tenant. Jollibee Tower was completed in 2019.

Hospitality Segment

DoubleDragon's hospitality segment is operated through its 70%-owned subsidiary, Hotel of Asia, Inc. (HOA), including its own three-star hotel brand, Hotel101.

The Hotel101 concept allows DoubleDragon to generate revenues twice: first, from the preselling of rooms, followed by long-term recurring revenues from hotel operations after the project is constructed. Over the long-term, Hotel101 rooms will be owned and capitalized by the unit owners, similar to a closed-loop AirBNB. Recovery of DoubleDragon's investment, plus a significant margin, is made once the units are sold (historically, sales are made prior to the start of hotel operations). According to the Company, the project cost for a Hotel 101 project is fully recovered when 45-50% of the units are sold. As part of their purchase, unit owners also sign a compulsory 50-year management contract with Hotel 101, which provides long-term cashflows from the hotels.

CSI Hotels, Inc., a 50%-owned subsidiary of HOA, is the Philippines' master franchisee of the Jinjiang Inn brand. Jinjiang Inn primarily targets Chinese tourists. In addition, HOA also operates Injap Tower, a 21-storey condotel located in Iloilo City.

As of end-March 2024, the hospitality segment had six operational hotels and condotels with 1,482 rooms. DoubleDragon grew its portfolio from 876 operating hotel rooms as of end-June 2022, with the opening of Hotel101 – Fort in July 2023. Hotel 101 Management Corporation, a wholly owned subsidiary of HOA, operates and manages all of the Company’s hotel properties.

Table 3 Hotel101 Operational Developments

Operational Developments	Rooms	Occupancy Rate
Hotel101- Fort	606	73.2%
Hotel101 - Manila	518	88.9%
JinJiang Inn - Ortigas	95	83.7%
JinJiang Inn - Makati	59	90.2%
JinJiang Inn - Boracay Station 1	10	62.3%
Injap Tower	194	69.6%
TOTAL	1,482	
Average Occupancy		78.0%

PhilRatings notes the three developments with below 80% occupancy rate as of end-March 2024. According to management, the 73.2% occupancy for Hotel101 – Fort is considered already very good given that the hotel is just in its soft-opening stage. The Company expects to hit at least 90% occupancy for Hotel 101 – Fort by 2H 2024 as it builds up guest ratings and visibility to the community. On the other hand, Jinjiang Inn – Boracay Station 1 and Injap Tower with 62.3% and 69.6% occupancy rates, respectively, are expected to increase their occupancy rates above 80% in 2024 with the pickup of domestic and convention activities.

DoubleDragon is undertaking major milestones in expanding its hotel operations abroad. Hotel101 Global Pte. Ltd. (Hotel101 Global) is a wholly-owned subsidiary that primarily holds all investments of Hotel101 outside of the Philippines. In September 2022, DoubleDragon (through its subsidiaries) announced the acquisition of a 9,000-sq m parcel of land in Hokkaido Prefecture, Japan. An agreement was signed in April 2024 among Hotel101 Global, engineering firms Kamita Sekkei and Technocrew, and contractor Iwata Chizaki Inc., to develop the property as Hotel101 – Niseko. The project will add 482 rooms to the hotel portfolio and is committed to become the first hotel in Niseko, Hokkaido to secure a Comprehensive Assessment System for Built Environment Efficiency (CASBEE) rating. CASBEE is Japan’s authoritative framework for evaluating the environmental performance of buildings. The structure of Hotel101 – Niseko is designed to promote sustainability through green-inspired architecture and the use of technology that supports efficient and eco-friendly operations. The project, which is expected to be finished in 2026, had its groundbreaking event in August 2023.

In addition, DoubleDragon also completed the acquisition of a 6,593-sq m of commercial land in Madrid, Spain in October 2023. The property, which is to be developed as Hotel101 – Madrid, will add 680 rooms to the hotel portfolio. The project, which is anticipated to be finished in 2025, held its groundbreaking ceremony in March 2024.

One development that may benefit the said project is the Golden Visa Program of the Spanish government. Through the program, foreign nationals who invest a minimum of 500,000 euros (or about \$550,000) in Spain can apply for an investor visa. Once granted, applicants and their families gain residency plus visa-free access to Europe’s Schengen area. The minimum required investment is

equivalent to three units in Hotel101 – Madrid or approximately \$620,400. In addition, Hotel101 – Madrid will be within the proposed route of the planned F1 Madrid Grand Prix beginning in 2026.⁷ In April 2024, however, Spain’s ministers agreed to end the Golden Visa Program. Spain’s move to scrap the Golden Visa Program comes amid increasing pressure from its own citizens resulting from lack of residential supply and rising property prices, fueled by escalating demand for real estate.⁸

According to the Company, DoubleDragon also has plans to expand to the United States with the development of Hotel101 – Los Angeles, and which will add 622 rooms to the hotel portfolio. As of report writing, the project is at the permitting and entitlement stage.

In October 2023, Hotel101 Global opened both its global corporate office and sales hub in Singapore. The global office will serve as the group’s main hub for its overseas operations and expansion. The sales hub has the latest version of Hotel101’s signature 21-sq m “HappyRoom”, equipped with its standard features such as beds using Emma mattresses⁹, Internet Of Things (IOT) app-operable smart lighting, and an ensuite modern pre-fabricated bathroom, among others.¹⁰

Over the long-term, DoubleDragon aims to cap revenue contribution at 10% per country. This is to geographically diversify revenue sources, taking into account the volatility of the world economy.

Table 4 Ongoing Projects under the Hospitality Segment

	Lot Area (ha)	Start	Finish
Ongoing Developments			
Ascott-DD Meridian Park Manila	<i>n/a</i>	2018	2H 2024
Hotel101 - Davao	0.54	2018	2H 2024
Hotel101 - Cebu	0.26	2021	1H 2025
Hotel101 - Niseko	0.89	2023	2H 2026
Hotel101 - Madrid	0.66	2023	2H 2025
Hotel101 - Libis	0.26	2024	2H 2026
TOTAL			

The projects that are targeted to be finished within 2024 are: Ascott – DD Meridian Park Manila (82% completed and is scheduled to be finished in 4Q 2024), and Hotel101 – Davao (91% completed and is scheduled to open in 3Q 2024).

In April 2024, DoubleDragon entered into a definitive merger agreement between its subsidiary Hotel101 Global and JVSPAC Acquisition Corporation. The combined entity is expected to be publicly listed on the US-based stock market NASDAQ¹¹ under the ticker symbol “HBNB”. Upon completion of the proposed business combination transaction, HBNB will become a majority-owned subsidiary of DoubleDragon and

⁷ <https://business.inquirer.net/438506/biz-buzz-doubledragon-golden-visa-deadline-nears>

⁸ <https://bilyonaryo.com/2024/04/11/what-headwind-tan-caktiong-sia-expect-robust-sales-for-madrid-hotel-despite-golden-visa-programs-end/business/>

⁹ Hotel101 Global signed an agreement with Emma — The Sleep Company (Emma) in May 2023 to provide mattresses for all upcoming Hotel101 projects globally. Emma is a Europe-based sleep innovation company that utilizes technology to create products that enhance the quality of people’s sleep. The first Hotel101 to be fitted with Emma mattresses was Hotel101- Fort which opened in July 2023.

¹⁰ <https://manilastandard.net/?p=314379034>

¹¹ National Association of Security Dealers Automated Quotations or NASDAQ is a U.S.-based stock market exchange, and the second-largest stock exchange by market cap globally.

the first ever Filipino majority-owned subsidiary to list via special purpose acquisition company (SPAC) in the US Stock Exchange. The business merger and listing is expected to be completed by the second half of 2024, following regulatory and shareholder approvals and other customary closing conditions.

By 2026, DoubleDragon is targeting to build its condotel in 25 different countries. At present, the Company has a presence in four countries (Philippines, Japan, Spain, and United States) and has ongoing discussions with potential joint venture or licensing partners in several countries. The expansion of Hotel101 Global is expected to ramp up once the Company completes its NASDAQ listing by the second half of 2024.

DoubleDragon aims to have a total of more than 5,000 operating hotel rooms for its Hotel 101, Jinjiang Inn and Ascott brands by 2026, backed by the continued expansion of its Hotel 101 portfolio, both locally and internationally. Considering the operational and ongoing Hotel101 projects, the Company is expecting a total of 4,762 rooms by the second half of 2026. By 2030, DoubleDragon aims to have more than 10,000 rooms in its portfolio.

Industrial Leasing Segment

DoubleDragon carries out its industrial leasing business through subsidiary CentralHub Industrial Centers Inc. (CHICI). As of end-March 2024, DoubleDragon owned 61.3% of CHICI, while 38.7% was held by Jollibee Foods Corporation (JFC) and its wholly owned subsidiary Zenith Foods Corporation (ZFC). Moving forward, the partnership's goal is to make CentralHub the first industrial real estate investment trust (REIT) in the Philippines. The Company is currently waiting for capitalization rates to go down to 5-6% levels before pushing through with its REIT offering.

As of March 31, 2024, DoubleDragon owned ten industrial sites with a total of 60.6 ha of prime industrial land. Five of the CentralHub sites are currently operational and had 100% occupancy levels, except for CentralHub – Tarlac which was still for tenant turnover.

Table 5 Operational CentralHub Sites

Operational Industrial Centers	Gross Floor Area (sq m)	Occupancy Rate
CentralHub - Tarlac (Phase 1 - 3)	25,298	100%
CentralHub - Capiz	4,407	100%
CentralHub - Camelray, Laguna 1 - 2	70,286	100%
CentralHub – Santolan, Pasig	8,752	100%
CentralHub - Tarlac (Phase 4)	5,599	For Tenant Turnover
TOTAL	114,342	

Each hub contains modern standardized multi-use warehouses which are expected to fulfill the requirements of the top fast-moving consumer goods (FMCG) companies, retailers, fast food brands, cold storage providers, logistics operators and e-commerce companies alike. The lease agreements cover five to ten years, thus providing long-term cashflows. DoubleDragon, through CHICI, currently has plans for development of more CentralHub industrial centers and intends to acquire additional sites that are strategically located across Luzon, Visayas, and Mindanao.

Table 6 Ongoing Developments under the Industrial Leasing Segment

	Lot Area (ha)	Start	Finish
Ongoing Developments			
CentralHub - Sta. Barbara, Iloilo	3.86	1H 2021	2H 2024
CentralHub – Danao, Cebu	5.21	1H 2022	2H 2024
CentralHub - Silay Negros 1 & 2	10.06	2H 2023	2H 2025

The industrial centers targeted to be finished in 2024 are: CentralHub – Iloilo (69% complete) and CentralHub – Cebu (42% complete).

Management and Ownership

PhilRatings notes that there were no changes in the composition of the Company’s major shareholders, principal officers, and senior management since the last rating review.

The Company’s two principal shareholders are Injap Investments Inc., controlled by the Sia family, and Honeystar Holdings Corp., controlled by the Tan and Ang families. The latter also controls JFC, the largest fast food company in the Philippines. As of March 31, 2024, Injap Investments Inc. and Honeystar Holdings Corp. each owned 35.18% of DoubleDragon’s common shares.

Mr. Edgar Sia II is the Chairman and CEO of DoubleDragon, and Mr. Tony Tan Caktiong is a Director and Co-Chairman of the Company. The two are among the Philippines’ most successful fast food chain entrepreneurs in the country.

PhilRatings notes that DoubleDragon has likewise benefited from the established track record and success of Mr. Sia and Mr. Tan Caktiong in the fast food industry since the Company started commercial operations in November 2010. Even with its relatively short track record of 13 years in the highly-competitive property development industry, the Company has been able to pursue and implement its growth strategy and create a good platform for growth, and which is seen to serve as a springboard for further expansion, moving forward.

DoubleDragon’s partnership with established market players, such as the SM Group, is seen as a positive indicator in terms of its future prospects, and its management’s ability to execute the Company’s growth strategy.

While Mr. Sia’s and Mr. Tan Caktiong’s experience is largely in the fast food sector, growth in this industry is also mainly anchored on finding suitable property locations that will allow their companies to tap a bigger portion of the fast food market. Serving the consumer market via fast food outlets should provide meaningful insights that can be mined, and which may prove helpful for property development projects going forward.

As of December 31, 2023, the Group had 589 (of which 209 were with the Parent) organic employees. DoubleDragon had no collective bargaining agreements (CBAs), with no organized labor organizations in the company. DoubleDragon has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that DoubleDragon’s relationship with its employees is satisfactory, in general.

Strategy

DoubleDragon identified four major business strategies: (1) expanding nationwide in order to grow its recurring income stream across four property pillars – retail, office, industrial, and hospitality; (2) identifying industry shifts and capitalizing on real estate segments where it can be a leading player; (3) focusing on building recurring revenue based on a foundation of appreciating assets and operating a capital efficient business model; and (4) maintaining a strong balance sheet, prudent risk and capital management and good governance.

Since it began operations in 2010, DoubleDragon has successfully expanded its investment property portfolio to over 1.3 million sq m as of end-March 2024. Its diversified asset portfolio consists of provincial community malls in Luzon, Visayas, and Mindanao, office buildings in Metro Manila, as well as hotels and warehouse complexes around the country. DoubleDragon expects its existing portfolio to become mature assets, contributing optimum levels of revenues and income to the Company by 2025.

Having met its target of 1.2 million sq m of completed GFA in 2021, DoubleDragon has set a new target of increasing its portfolio to 2.4 million sq m of GFA by 2030, spread across its four core business segments: 30% in retail, 15% in office, 20% in hospitality, and 35% in industrial leasing. To achieve these targets, the Company aims to grow its hospitality and industrial leasing segments.

Over the long-term, DoubleDragon envisions Hotel101 to have one million rooms, operating in over 100 countries worldwide. As an initial step in this long-term goal, Hotel101 has identified the first 25 priority countries for its expansion: the Philippines, Japan, Spain, the U.S., United Kingdom, the U.A.E., India, China, Thailand, Malaysia, Vietnam, Indonesia, Singapore, Cambodia, Bangladesh, Mexico, South Korea, Australia, Canada, Switzerland, Turkey, Italy, Germany, France, and Saudi Arabia.

For its industrial segment, DoubleDragon aims to make CentralHub one of the largest landlords of industrial warehouse complexes in Luzon, Visayas and Mindanao. At present, CentralHub continues to build up its industrial leasing portfolio, as it prepares to undertake the first Philippine Industrial REIT initial public offering (IPO). Over the long-term, DoubleDragon targets to operate one CentralHub complex in each of the 82 provinces of the Philippines.

ESG Report

Environmental

Two of the Company's office buildings – DoubleDragon Plaza and Jollibee Tower – were designed and built with energy efficient features. DoubleDragon Plaza received its Leadership in Energy and Environmental Design (LEED)¹² Gold Certification in June 2019. Jollibee Tower, on the other hand, is pre-certified for a Gold LEED certification. To receive the certification, Jollibee Tower must satisfy certain prerequisites and earn sufficient points.

CityMall utilizes eco-friendly devices and systems such as: solar power, LED lights, optimal natural lighting, modern waste treatment facilities, rainwater harvesting systems, and the use of green fans to further boost cooling efficiency.

¹² A green building certification program developed by the U.S. Green Building Council which evaluates environmental performance to provide a definitive standard for green buildings

In April 2024, Hotel101 Global -- in partnership with engineering firms Kamita Sekkei and Technocrew, and the contractor of Hotel101-Niseko Iwata Chizaki Inc. -- signed its commitment for the creation of an environmentally-forward Hotel101-Niseko. The latter aims to become the first hotel in Niseko, Hokkaido Japan to secure a CASBEE rating. CASBEE, which stands for Comprehensive Assessment System for Built Environment Efficiency, is Japan's authoritative framework for evaluating the environmental performance of buildings.

Social

In terms of employee management, the Company is fully compliant with mandatory employee benefits required by law. It also provides additional benefits based on industry standards to provide employees not only with the necessary proper care, but also for the Company to be a competitive employer for the years to come. DoubleDragon is likewise fully compliant with minimum wage and other labor standards.

The Company recognizes that training and education form an important part in the development of employee skills and supports career development. As such, DoubleDragon dedicated eight hours for the formal training of each employee in 2023. Aside from formal training, informal training sessions are continuously administered by the Human Resources Department throughout the year. Each department also holds its own informal training sessions, to further familiarize their members on the responsibilities of their respective positions. Selected key employees are also sent out for training and seminars to update their knowledge.

DoubleDragon promotes equal employment opportunity to applicants, without discrimination on the basis of race, sex, religion, gender orientation, or other personal characteristics. It also ensures compliance with Philippine labor laws related to diversity, including policies against discrimination and harassment, and unfair treatment in the workplace.

Governance

The Company has existing policies against corruption. The policies are implemented through specific prohibition statements incorporated in the Company's Code of Conduct and in all contracts, particularly the supply and delivery of goods and services. DoubleDragon includes a discussion of the Anti-Corruption Policies of the Company during on the job orientation, and during the annual general assembly where material company policies are reintroduced to all employees.

INDUSTRY¹³

Metro Manila Property Market

Residential

There were tempered launches and take up of preselling condominium units in Metro Manila, partly attributed to still elevated interest and mortgage rates, as well as the large stock of vacant ready-for-occupancy (RFO) units in the capital region. This moved developers to expand outside of Metro Manila,

¹³ Sources: Colliers Philippines Market Reports – 1Q 2024
JLL Philippines 1Q24 Property Market Dynamics

with aggressive land banking activities in prime locations of nearby provinces. Colliers observed steady demand for house and lot (H&L) and lot only projects in Pampanga, Bulacan, Cavite, Laguna, and Batangas. The annual average take-up for horizontal projects increased to 29,000 units in 2022 and 2023, up from 28,700 units sold from 2020 to 2021.

Demand in Metro Manila differed in terms of product preferences per sublocation. In the major business districts (CBDs) such as Fort Bonifacio, Makati CBD, Ortigas Center, and Bay Area, the upper mid income to luxury projects dominated in terms of the demand; while in other areas including Mandaluyong, Quezon City, Alabang, and Las Piñas, demand for affordable to lower mid income projects remained strong.

In 1Q2024, there was a recorded delivery of 2,180 units, higher by 80% from the previous quarter. Colliers expects the addition of 9,100 units for the remainder of 2024, with the Bay Area likely contributing nearly 80% of the new supply.

Vacancy rose to 17% in 1Q2024, from 16.8% in the previous quarter, partly due to the sizable amount of RFO units in the market. Higher vacancy is seen to continue towards the end of 2024, reaching 17.7%, given the substantial delivery of new supply.

Due to higher vacancy, residential rent and prices increased at a slower pace in 1Q2024. Rent and prices increased by 0.4% and 0.6% respectively. Colliers sees elevated vacancy, as well as the substantial completion of new units, to continue tempering rent and prices for the rest of the year.

Property developers remained aggressive in developing master-planned projects outside Metro Manila. Colliers believes that the completion of major infrastructure such as the Metro Rail Transit-7 (MRT-7), New Manila International Airport, and North-South Commuter Railway will entice more property firms to locate projects near these areas.

Office

Net take-up of office space in Metro Manila for 1Q2024 tripled compared with the same period last year. Colliers recorded a net absorption of 75,000 sq m in office space, more than triple the 23,000 sq m of net take-up in 1Q 2023. Traditional and outsourcing occupiers remain as stable demand drivers in Metro Manila. The transaction volume recorded in the countryside likewise performed better as outsourcing firms continued to set up shop in the countryside and expand their footprint.

In 1Q2024, there was a total of 96,100 sq m of completed office space in Metro Manila, higher than the 49,000 sq m of space completed a year ago. Meanwhile, transaction volume went up by 88% in the same quarter with traditional firms accounting for 44% of the total transactions. This was followed by outsourcing companies at 33% and Philippine Offshore Gaming Operators (POGOs) at 23%. More than half of the recorded deals were for expansions and new setups.

Considering the abovementioned, the vacancy rate in 1Q2024 inched lower to 19%, from 19.3% in the previous quarter. There was higher demand from traditional firms and POGOs in the Bay Area, and outsourcing firms in Fort Bonifacio and Ortigas CBD. The vacancy rate, however, is seen to go up to 19.6% by the end of 2024 due to new supply and expected surrenders from pre-pandemic leases. In 2024, Colliers expects new supply to reach 553,200 sq m which is lower than its earlier forecast of 598,300 sq m and the

completion of 611,700 sq m in 2023. Nearly half of the new supply will come from the Bay Area, Quezon City and Makati Fringe areas.

In 1Q2024, Colliers noted a marginal increase of 0.6% in rent compared with the previous quarter. Rent is projected to improve by 2.5% by the end of 2024, after declining by 38% from 2020 to 2023.

Provincial office transactions jumped by 81% to 51,700 sq m, from 28,500 sq m in 1Q 2023. Cebu accounted for 35% of total transactions, followed by Pampanga (17%), Davao (15%), Iloilo (13%) and Bacolod (12%). While demand for office space in provincial areas increased, Colliers noted that some markets have limited availability of options for outsourcing locators that typically require an area of at least 2,500 sq m. Given such, developers are encouraged to assess their provincial office pipeline and ramp up the construction of projects in identified areas with low availability of options. According to Colliers, these areas include: Bulacan, Cagayan de Oro, Batangas, and Dumaguete.

Retail

Mall developers executed aggressive renovations and total mall redevelopment all over Metro Manila as landlords and retailers attempt to sustain foot traffic and consumer spending amidst the diminishing impact of revenge spending. Colliers expects malls to integrate more activity centers, immersive or experiential spaces, as well as a mix of local and new foreign brands, with retailers offering more refreshed and “instagrammable” spaces to capture the attention of mallgoers.

From 4Q 2023 to 1Q2024, Colliers recorded the completion of regional and super regional malls which added 281,000 sq m of new retail space across Metro Manila.¹⁴ Driven by the opening of new malls, retail vacancy went up to 15.5%, from 14.4% in the previous quarter. Colliers projects vacancy to reach 17% in 2024, with the completion of about 338,900 sq m of new supply. From 2024 to 2026, annual completion is estimated at 162,300 sq m of new retail space, with the Bay Area accounting for half of the new leasable mall space.

Makati CBD, Fort Bonifacio, and Ortigas Center continued to record office and residential vacancies lower than the Metro Manila average. Colliers highlights the need for retailers to start locking in physical space in these CBDs, especially with the projected rise in lease rates for the remainder of the year.

Hospitality

In 1Q2024, JLL recorded an addition of 286 rooms in the hospitality segment, all of which came from Quezon City. Some delays in developments pushed the forecast annual supply to 3,900 rooms for the rest of 2024. While increased supply may challenge occupancy levels, the sustained growth in foreign arrivals is seen to support the segment. Makati City, Pasay City, and Manila City contributed the largest share of existing hospitality stock, while Quezon City accounted for the majority of expected supply.

Data from the Department of Tourism (DOT) reported that foreign arrivals as of March 2024 reached 1.2 million, a feat achieved in just over two months from the start of the year. This was 22.9% higher than the arrivals received by the country in the same period in 2023. The Philippines received over 5.4 million

¹⁴ Regional malls have a gross leasable area of between 50,000 sq m to 99,999 sq m; Super regional malls above 100,000 sq m.

international visitors in 2023, higher than the target of 4.8 million arrivals. In 2024, the government set a baseline target of 7.7 million arrivals in the country.¹⁵

Hotel occupancy in Metro Manila stood 82.7% in 1Q2024, down from the 87.2% occupancy in the previous quarter, as demand normalized after the holiday season. Leisure demand drove occupancy rates on weekends, while corporate bookings were higher on weekdays.

The average daily rate of rooms grew by 1.6% in 1Q2024 to P7,920 per room per night. Operators gradually increased room rates to pre-pandemic levels despite the cyclical demand.

Industrial¹⁶

According to property consultant Prime Philippines, the industrial segment remained strong, even outperforming the office segment in 1Q2024. Occupancy level was at 90% as of March 2024 and is seen to be kept at this level despite the expected new supply. The demand for industrial space will be driven by the growing use of online platforms by consumers, as well as the solid push of companies and retailers to expand presence in fast-growing areas outside of Metro Manila.

In the second half of 2023, Colliers recorded the addition of about 70 hectares of industrial space in CALABA (Cavite, Laguna, Batangas). From 2024 to 2026, an average annual delivery of 120 hectares of new industrial supply is expected in CALABA and Central Luzon. Industrial park developments include the likely completion of Batangas Technopark and Filinvest Park-Ciudad de Calamba, as well as the expansion of the Cavite and Pampanga Technoparks.

ECONOMY

Gross Domestic Product (GDP)¹⁷

The Philippines' full-year GDP growth in 2023 was at 5.6%. The industries that contributed the most to the annual growth were: Wholesale and retail trade, repair of motor vehicles and motorcycles (5.5%); Financial and insurance activities (8.9%); and Construction (8.8%). The GDP growth in 2023 was behind the government's target GDP growth of 6% to 7% for the year.

All major economic sectors posted full-year increases, as follows: Agriculture, forestry, and fishing (1.2% year-on-year <YoY> and 1.4% in the fourth quarter 2023 <4Q 2023>); Industry (3.6% YoY and 3.2% in 4Q 2023); and Services (7.2% YoY and 7.4% in 4Q 2023).

On the demand side, annual growth of Household spending was at 5.6% (5.3% in 4Q 2023) while Government spending rose by a minimal 0.4% (-1.8% in 4Q 2023) for the year. According to National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan, the latter's slower expansion was intentional, in line with the government's aim to achieve fiscal consolidation. This meant prioritizing

¹⁵ https://beta.tourism.gov.ph/news_and_updates/the-philippines-records-1-2m-international-tourists-in-first-two-months-of-2024/

¹⁶ <https://bilyonaryo.com/2024/03/16/invest-where-demand-booms-industrial-market-surges-ahead-offices-struggle-to-catch-up/property/>

¹⁷ Sources: <https://www.psa.gov.ph/content/gdp-expands-57-percent-first-quarter-2024>
<https://mbc.com.ph/2024/05/09/gdp-insights-mbc-economy-2024-may/>
<https://asia.nikkei.com/Economy/Philippines-cuts-growth-target-for-2024-raises-deficit-ceilings>

the reduction of fiscal deficit and government debt. Data from the Bureau of the Treasury showed an improved debt-to-GDP ratio of 60.2% in 2023, from 60.9% at the end of 2022.

In 1Q2024, GDP expanded by 5.7%, and which was higher than the 5.5% growth in the last quarter of 2023. The main contributors to the quarter's growth were: Financial and insurance activities (10%); Wholesale and retail trade, repair of motor vehicles and motorcycles (6.4%); and Manufacturing (4.5%).

The growth in the first quarter, however, was lower than economists' estimate of 5.9%. Despite the slower growth for the quarter, NEDA Secretary Arsenio Balisacan still sees the country in a good position relative to its regional peers. The government's target GDP growth for 2024 was set at 6% to 7%, adjusted downwards from its earlier projected growth of 6.5% to 7.5%. The main drivers for the downward adjustment were high inflation and an anticipated slowdown in the global economy.

Outlook¹⁸

Fitch Solutions unit BMI has maintained its economic growth outlook for the Philippines at 6.2% for 2024, banking on the rebound of investments that is expected to continue in 2024. BMI noted that investment growth in the 4Q 2023 was 11.2%, bouncing back from a contraction of 1.4% in the previous period. BMI added that household spending will continue to fuel the economy as it boosts domestic consumption, particularly as the unemployment rate dropped to a decade-low of 3.6% in November 2023. The high inflationary environment, however, is seen by BMI as a risk to consumption for the year.

The International Monetary Fund (IMF), likewise, sees a positive outlook for the Philippines as it upgraded its economic outlook for the country. GDP growth was slightly revised upwards to 6% in 2024 from the October 2023 forecast of 5.9%, amid the stronger rebound in investments and exports. The IMF similarly noted the Philippines' economic growth to be the fastest in the Association of Southeast Asian Nations (ASEAN) region. For 2025, IMF estimated a growth of 6.1%, still the fastest in the region.

Inflation¹⁹

Inflation rate for the month of April 2024 inched up to 3.8%, from the 3.7% inflation recorded in March. This posted the third consecutive increase for the year, mainly driven by the prices of food and non-alcoholic beverages (6% in April from 5.6% in March) and transportation (2.6% in April from 2.1% in March). The year-to-date inflation rate for the first four months in 2024 stood at 3.4%. While still within the government's target, this was nearing the higher end of the range.

The target inflation rate for full-year 2024 was pegged within the range of 2% to 4%. First Metro Investment Corporation (FMIC) and the University of Asia and the Pacific (UA&P) forecast that inflation will settle at 3.8% in 2024. This forecast was based on the slightly lower trend in crude oil prices, while imports and better second half harvests will limit rice price gains. The price of rice notably increased further by 22.6% in January from 19.6% in December 2023. The ASEAN+3 Macroeconomic Research Office (AMRO) also forecasts Philippine inflation at 3.6% in 2024, likewise within the government's target.

¹⁸ Sources: <https://www.pna.gov.ph/articles/1218079>
<https://www.philstar.com/business/2024/01/31/2329700/imf-hikes-philippines-2024-growth-target>

¹⁹ Sources: <https://www.pna.gov.ph/articles/1219055>
<https://neda.gov.ph/eo-59-to-boost-ph-infra-drive-neda/>
<https://www.pna.gov.ph/articles/1224898>

The Monetary Board left its benchmark rate unchanged at 6.5% in its second monetary meeting for the year in April 2024. This move was widely expected following the increase of inflation in March, prior to the scheduled meeting, that was nearing the tail end of the target. The Bangko Sentral ng Pilipinas (BSP), however, will likely ease policy rates starting August 2024. BSP Governor Eli Remolana, Jr. said that the BSP is less hawkish than before, which means that it could ease or cut rates in the second half of 2024. Governor Remolana believes that the 3.8% inflation rate in April 2024 is a good number, and is actually better than it looks because the number included some positive base effects.

Foreign Exchange²⁰

The Philippine Peso depreciated by three centavos against the US Dollar on June 4, 2024 and closed at P58.71:\$1. This marked its weakest value since November 3, 2022 which was at P58.80:\$1. BSP Governor Eli Remolana Jr. stated that the US Dollar continued to strengthen as the Federal Reserve signaled delay in cutting interest rates and its plans to keep interest rates higher longer to buffer inflation.

This was in contrast to the stance of the BSP, with Governor Remolana hinting of a possible rate cut in August this year. The BSP will need to keep a balance between supporting growth and managing inflation. The Governor added that the BSP constantly monitors the exchange market, while allowing it to function without protecting a certain exchange rate. He added that the central bank may intervene as necessary should it find the market “under stress”.

According to DoubleDragon, the peso’s depreciation is a net positive for the Company given the foreign currency denominated revenues being generated by its subsidiary Hotel101 Global. The foregoing serves as a natural hedge against the depreciation of the peso. This year, 2024, will be the first year that DoubleDragon will generate substantial foreign currency revenues considering its offshore projects that are currently under construction.

FINANCIAL PROFILE

Profitability

2022

Revenues dropped by 11.3% to P14.1 billion, from P15.9 billion in 2021. Except for real estate sales, all revenue sources posted declines. Real estate sales jumped by 97.4% to P1.5 billion on account of higher sales booked based on percentage of completion. Real estate sales benefited from the resumption of construction activities post-community quarantines, as well as from additional sales during the year.

Unrealized gains from changes in FV of investment property went down by 22.6% to P7.5 billion, given higher changes in FV of investment property in 2021 from the completion of major projects. Similarly, rent income dipped by 5.3% to P3.2 billion due to rental concessions given to select tenants.

In contrast, costs and expenses increased by 21.0% to P5.9 billion. General and administrative (G&A) expenses, which accounted for bulk (44.2%) of total costs and expenses, went up by 14.5% to P2.6 billion

²⁰ Sources: <https://www.gmanetwork.com/news/money/economy/909001/peso-extends-losing-streak-hits-fresh-19-month-low-at-58-71-1/story/>
<https://news.abs-cbn.com/business/2024/5/21/peso-depreciates-beyond-p58-to-dollar-during-morning-trade-on-may-21-1010>

on account of higher operating costs of the mall business; in particular, from utilities and outsourced services.

Cost of real estate sales and interest expense increased by 98.3% and 13.0%, respectively. Cost of real estate sales amounted to P860.6 million, up from P434.0 million in 2021. The increase was in line with higher revenues from the sale of real estate. Interest expense climbed to P1.9 billion, from P1.7 billion in 2021, due to lower capitalization rate for borrowing cost and higher interest paid.

Given these movements in revenues and costs and expenses, pre-tax income significantly contracted by 25.6% to P8.2 billion. Such translated to a lower pre-tax profit margin of 58.1%, from 69.3% in 2021. After-tax profit margin, however, was higher at 91.5% (2021: 70.8%). The company recorded an income tax benefit of P4.7 billion, substantially higher from its income tax benefit of P244.6 million in 2021, on account of the reversal of the deferred tax liability of DDMP REIT. The higher tax benefit positively contributed to bottom line. DoubleDragon ended the year with net income of P12.9 billion, up from 14.6% from 2021.

2023

Revenues soared by 75.1% to P24.7 billion, supported by growth in both core revenues and unrealized gain from change in FV of investment property. The latter considerably grew by 120.2% to P16.5 billion.

Other revenues soared by 119.5% to P2.9 billion, due to higher interest charges and other charges to tenants. Similarly, hotel revenues posted a significant hike of 40.3% to P671.7 million on account of higher hotel occupancy and the opening of Hotel101-Fort.

The increases made up for the decline in real estate sales (-11.9% to P1.4 billion) and rent income (-5.2% to P3.1 billion). With most projects' construction near completion during the year, the pace of revenue recognition (under percentage of completion of projects) was slower in 2023. The lower rental revenue was due to concessions and rental discounts given by the Company.

The higher revenues led to a 23.3% increase in net income to P15.9 billion. Bottom line recovered, despite the 11.3% hike in costs and expenses as well as income tax expense of P2.2 billion. The increase in costs and expenses was mainly attributable to higher G&A expenses (+17.3% to P3.1 billion) and interest expense (+16.5% to P2.3 billion). The growth in G&A expenses came from utilities, outsourced sources, and hotel operation expenses (in line with higher occupancy). The rise in interest expense was attributable to lower capitalization rate for borrowing cost and generally higher interest rates.

Return on average assets (ROAA) improved to 9.4%, from 8.7% in 2022. Pre-income tax profit margin similarly went up to 73.4%, from 58.1% in 2022.

Interim March 2024

Revenues markedly rose by 19.6% to P2.1 billion, on the back of increases in rent income, hotel revenues, and Other revenues. Other revenues, which amounted to P670.8 million, recorded the fastest growth of 48.9%. This was on account of higher cinema revenues, revenues from advertisements/amusement charges, concessionaire revenues, as well as admin and aircon charges.

Rent income, which represented 44.8% of total revenues, went up by 12.4% to P919.3 million. The increase was due to rental escalations and the onboarding of new tenants. Hotel revenues kept its positive performance, increasing by 33.7% to P197.3 million, due to better occupancy rates of the hotel business.

Net income growth, however, was slower at 14.0%. Such was due to the 19.9% hike to P1.4 billion in costs and expenses, and the 82.5% jump to P74.4 million in income tax expense. Higher income tax expense was on account of higher taxable income of certain subsidiaries. The main contributors to the increase in costs and expenses were G&A expenses (+32.5% to P539.6 million) and interest expense (+15.3% to P530.4 million). Higher G&A expenses was due to increase in utilities and other mall operating costs as well as various professional services. The uptick in interest expense was attributable to lower capitalized borrowing cost.

DoubleDragon ended the first three months of 2024 with a net income of P592.9 million.

Projected Period (2024 – 2029)

DoubleDragon's revenue from leasing income (rent income and hotel revenue) and real estate sales are expected to, generally, display an uptrend over the projected period. DoubleDragon also sees an overall improvement in hotel occupancy and rental additions in 2024. Aside from the current ongoing projects, Double Dragon also has several projects in the pipeline which could also drive the Company's future revenues.

Margins, excluding unrealized gains from investment property, are expected to surpass historical levels, and profitability is seen to be sustained throughout the projected period.

Cashflow and Liquidity

2022

Operating cash remained negative, with cash coming mostly from the availment of long-term notes. Outstanding long-term notes stood at P28.6 billion as of end-2022, significantly up by 32.8%. Cash generated from financing was largely used for investment properties; additionally, maturing debt was refinanced. DoubleDragon ended the year with cash and cash equivalents of P5.5 billion, which is 28.5% lower from end-2021.

Current ratio was relatively stable at 1.3x, as of end-2022. Current assets and current liabilities showed modest increases of 11.5% and 4.6%, respectively. Receivables (current) significantly grew by 43.7% to P11.8 billion, on account of the following: increase in accrued rent receivables arising from the excess of rent income over rental collections, in accordance with straight-line rental recognition as mandated by PFRS 16; increase in installment contract and rent receivable.

Also contributing to the increase in current assets were the hikes in inventories (+19.5% to P2.9 billion) and prepaid expenses and other assets (+17.3% to P5.7 billion). The resumption of construction activities led to higher bookings of completed projects. Increases in input VAT, as well as advances to contractors and suppliers, contributed to the hike in prepaid expenses and other assets.

Short-term notes payable decreased by 14.3% to P12.5 billion on account of repayments; such decline was partially offset by the 71.9% hike to P6.6 billion in accounts payable and other current liabilities. This was due to the increase in trade payables and other accrued expenses.

2023

Operating cash remained negative. Debt continued to account for bulk of generated cash, with long-term borrowings favoring bond issuances. The latter posted a significant growth of 24.3% to P18.6 billion, as of end-2023. On September 8, 2023, DoubleDragon issued P2.535 billion Series 1A Notes due on March 8, 2025. On the same day, the company also issued P1.08 billion Series 1C Notes due on September 8, 2028. The purpose of the bond issuances is to fund ongoing construction in relation to the operations of Hotel101 and also, for the DoubleDragon Group's centralized funding. Maturing debt was mostly refinanced.

Current ratio slightly dipped to 1.1x, on account of the 24.8% increase to P25.5 billion in current liabilities. The latter was due to the increases of 21.9% and 26.6% in short-term notes payables and accounts payable and other current liabilities, respectively. Short-term notes payables stood at P15.3 billion. Accounts payable and other current liabilities stood at P8.4 billion, as of end-2023.

Interim March 2024

DoubleDragon ended 1Q2024 with positive operating cash of P360.6 million. This was in contrast to its P1.4 billion negative operating cash in the same period of 2023. Borrowings were used to refinance maturing debt and to a lesser extent, for additions to investment property. The latter resulted in a 12.7% drop to P2.5 billion, from P2.9 billion as of end-2023, in cash and cash equivalents.

Despite lower cash and cash equivalents, current ratio improved to 1.4x of end-March 2024 due to 17.3% drop in current liabilities. The drop was on account of the 34.2% decrease to P10.1 billion, from P15.3 billion as of end-2023, in short-term notes payable.

Projected Period (2024 – 2029)

DoubleDragon's net cash from operating activities is expected to improve and turn positive within the projected period, driven by the ongoing build-up of its leasing portfolio and strengthened revenue from recurring income. DoubleDragon is also seen to reduce its reliance on financing activities to meet its obligations. Funding for financing and investment needs is projected to primarily come from operating cash and cash reserves.

Capital Structure

2022

Debt to capitalization improved to 40.7% as of end-2022, from 42.4% of the previous year. Such was due to the 17.7% increase to P81.6 billion in equity, attributable to higher retained earnings. Additionally, treasury stock jumped by 134.3% to P391.7 billion. In 2022, DoubleDragon (Parent) repurchased 22.5 million common shares, for a total repurchase price of P224.51 million, in relation to its share buyback program. These repurchased shares were treated as treasury shares.

Debt-to-equity (DE) ratio held steady at 0.7x, as of end-2022. Relative to equity, outstanding debt posted much slower increase of 9.8% to P56.0 billion

2023

Albeit marginal, debt to capitalization continued to improve to 40.1% as of end-2023. The 26.2% increase to P37.4 billion in retained earnings supported the uptrend in equity. Outstanding debt went up by 12.9% to P63.3 billion, mostly on account of the bond issuance on September 8, 2023. DoubleDragon ended the year with DE ratio of 0.7x, and which was unchanged from the previous year.

The long-term agreements of DoubleDragon contain, among other, covenants relating to the maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, capital expenditures, significant changes in ownership, payments of dividends and redemption of capital stock. As per its audited financial statements, DoubleDragon was compliant with the covenants of the debt agreements as of end-2023 and end-2022.

Interim March 2024

Debt to capitalization ratio stood at 40.2% as of end-March 2024, almost unchanged from end-2023. Total debt and stockholders' equity each recorded minimal upticks, at less than 1.0%. DE ratio stood at 0.7x, as of end-March 2024.

Projected Period (2024 – 2029)

DoubleDragon expects its debt level to decline over the projected period. Total equity, on the other hand, will be on an upward trend on account of the continued plowback of earnings. In a disclosure to PSE on May 10, 2024, the Company stated that total equity is expected to breach the P100.0 billion mark by end-2024. Additionally, the upcoming Global listing of Hotel101 in NASDAQ is seen to further strengthen the Company's balance sheet.

DoubleDragon is expected to maintain a conservative DE ratio over the projected period.

Financial Flexibility

As of end-March 2024, DoubleDragon had P2.2 billion available (unavailed) in credit facilities from various financial institutions. These credit facilities, which were contracted on clean basis, may be accessed by the company for its future funding needs.

Funding may also be raised from the equities market, given that DoubleDragon and DDMP REIT are both listed at the domestic stock exchange. As of June 6, 2024, DoubleDragon had a market value of P27.16 billion. Market capitalization of DDMP REIT stood at P20.50 billion, as of June 6, 2024.

On May 23, 2024, DoubleDragon issued its Series 2 Notes in the amount of P1.0 billion. The Notes, with a coupon rate of 9.5354%, will mature on September 8, 2028.

Moving forward, the merger between Hotel101 Global and JVSPAC Acquisition Corporation is expected to result in Hotel101 Global having an equity value of \$2.3 billion. The merger will close in the second half of 2024, with Hotel101 Global listing under the ticker 'HBNB'. The NASDAQ listing of Hotel101 Global, the

first for a Philippine company, provides the company with access to public funds and will help accelerate its global expansion plans.