

 PHILIPPINE RATING SERVICES CORPORATION	RATING REPORT
	DOUBLEDRAGON CORPORATION

Date: January 8, 2025
Analysts: Ann Louise E. Casabuena
Joan Grace P. Bual
Fatima Elaine R. Magpantay-Pascual

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

Total Issue Amount	Tenor	Assigned Rating and Outlook
P5.0 billion with an Oversubscription Option of up to P5.0 billion	7 years	PRS Aaa, Stable
Total – P10.0 billion*		

* Second tranche of the Company's debt securities program amounting to P30.0 billion

Use of Proceeds: To further boost the Company's financial position by increasing its cash reserves.

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.

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."

Analysts' Notes:

(1) DoubleDragon has an outstanding Issue Credit Rating of PRS Aaa, with a Stable Outlook, for its fixed-rate bonds amounting to P25.3 billion and an Issuer Credit Rating of PRS Aaa (corp.), with a Stable Outlook, for its P4.615 billion corporate notes and \$180.0 million of dollar bonds. For details regarding these ratings, please refer to PhilRatings' rating reports for DoubleDragon, dated June 13, 2024, September 6, 2024, and October 16, 2024.

(2) This report is an updated version of the last rating report dated October 16, 2024. The updates made were mainly in relation to the Company's financial performance for the first nine months of 2024 (9M 2024), as well as the major economic developments since the last rating report was released. The analysis in this report also considered a new set of projections that took into account the seven-year tenor of the second tranche offering.

RATIONALE

The most recently assigned rating and Outlook took 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 Real Estate Investment Trust (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. DoubleDragon expects such to happen in the second half of 2025 (2H 2025).

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). 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

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.

Issue Credit Rating of PRS Aaa, with a Stable Outlook, for its outstanding bond issuance of P15.0 billion.

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 United States (US) Stock Exchange. The listing 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 US\$2.3 billion (approximately P134.6 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.

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

DoubleDragon has maintained a conservative capitalization structure, with its debt-to-capitalization ratio hovering at 40-42% in the last three years. The Company's total debt as of end-September 2024 amounted to P73.3 billion while total equity amounted to P94.9 billion. The Company's debt-to-equity (DE) ratio stood at 0.8x as of end-September 2024, inching up from 0.7x as of end-2023. DE ratio will remain more than acceptable, at less than 1.0x over the projected period.

From 2025 onwards, DoubleDragon's domestic portfolio will already be fully built up. As such, capital expenditure will no longer be substantially needed in the near term. In November 2024, the Company issued the first tranche of its P30.0 billion shelf registration bond program. The remaining portion of the shelf will be issued over the next two years, with the proposed second tranche expected in early 2025. The proceeds from these bond issuances are intended to strengthen DoubleDragon's cash levels.

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

DoubleDragon intends to grow its recurring income stream across four property pillars -- retail, office, industrial, and hospitality. Such is expected to translate to positive operating cash flows over the projected period. DoubleDragon expects its completed projects to generate ample revenues as they become mature assets by 2025.

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.

With the expectation of improved operating cash flow and strengthened cash position in the long term, DoubleDragon will be less reliant on debt and will maintain adequate liquidity going forward.

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 over 14 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 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 December 23, 2024, the Company had a market capitalization of P24.5 billion.

PhilRatings notes that its subsidiary DDMP REIT, Inc. (DDMP REIT) is also listed as a REIT in the PSE. It had a market capitalization of P18.4 billion as of December 23, 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 September 30, 2024, the Company had 312.87 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 its 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 9M2024/2023

in millions PhP	2021		2022		2023		9M2023		9M2024	
	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	3,637.5	59.18	3,323.7	51.77
Office	8,700.95	54.63	4,379.35	30.99	11,175.41	45.17	1,946.4	31.67	1,625.0	25.31
Retail	4,582.24	28.77	6,555.87	46.40	9,128.02	36.89	1,627.0	26.47	1,634.2	25.45
Industrial	102.97	0.65	222.87	1.58	375.20	1.52	64.2	1.04	64.6	1.01
Real Estate Devt.	778.08	4.89	1,573.89	11.14	1,425.35	5.76	1,258.4	20.48	927.4	14.44
Hospitality	577.93	3.63	478.87	3.39	671.67	2.71	457.1	7.44	618.1	9.63
Others	8,528.29	53.55	4,725.86	33.44	6,888.85	27.84	3,788.7	61.64	5,525.4	86.06
Eliminations	- 7,344.62	- 46.12	- 3,806.39	- 26.94	- 4,922.62	- 19.90	-2,995.7	-48.74	-3,974.2	-61.90
Total	15,925.84	100.00	14,130.31	100.00	24,741.88	100.00	6,146.0	100.00	6,420.4	100.00

The leasing and hospitality segments, which both 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 September 30, 2024, the Company had 43 operational CityMalls, seven under construction, and 14 under development. All seven CityMalls under construction are substantially finished as of report-writing date and are scheduled to open in 2025.

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 fast food 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 end-September 2024, a total of 43 CityMall cinemas were operational. PhilRatings notes that this was a significant increasing from the 12 operating cinemas as of end-March 2024.

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 lease terms that 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.

Overall, DoubleDragon's operational malls had a GFA of approximately 673,033 sq m as of September 30, 2024.

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-ha 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 which owns the DD Meridian Park project, is 46.67% 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	Gross Floor Area (sq m)
Phase 1	DoubleDragon Plaza (Towers 1-4)	Commercial and Office building	Completed in 2018	188,297.38
Phase 2	DoubleDragon Center East	Office Building	Completed in 2019	21,136.01
	DoubleDragon Center West	Office Building		24,628.80
Phase 3	Ascott-DD Meridian Park	Ascott-branded Serviced Residence	Completed in 2023	-
Phase 4	DoubleDragon Tower	Commercial and Office Building	Completed in 2021	53,492.21

DD Meridian Tower, located within DD Meridian Park, 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. The construction of DD Meridian Tower is already completed, as of report-writing date.

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.

During his State of the Nation Address (SONA) on July 22, 2024, President Ferdinand R. Marcos Jr.'s announced a ban on all Philippine Offshore Gaming Operators (POGO) by end-2024. **(Analysts' Note: Please see the industry section for more details regarding this matter).** DoubleDragon's management, however, does not expect the ban to have a material impact on the Company as POGOs comprised only 5% of DoubleDragon's leasing portfolio. A bigger threat to the Philippines, management believes, would be the negative impact of the growing use of artificial intelligence (AI) on the Business Process Outsourcing (BPO) industry. Moreover, considering that DD Meridian Park is located in a prime location, which is also considered as the CBD within the Bay Area, management is optimistic that the property will continue to benefit from higher occupancy and foot traffic in the long term versus all the other surrounding office buildings.

Jollibee Tower

Jollibee Tower is a 41-storey commercial and office tower situated in the Ortigas CBD in Metro Manila. The building has 67,426.71 sq m of GFA. It is a joint venture between the Company and JFC, with the latter as the building's anchor tenant. While Jollibee Tower was completed in 2019, the move of JFC in the building was delayed due to the pandemic. Handover of the space was made to Jollibee this year, now that the latter has reverted to its pre-pandemic operations.

In total, DoubleDragon's operational office buildings had a GFA of approximately 361,089.64 sq m as of September 30, 2024.

Hospitality Segment

DoubleDragon's hospitality segment is operated through its 70%-owned subsidiary, Hotel of Asia, Inc. (HOA), and its wholly-owned subsidiary, DDPC Worldwide Pte. Ltd. (DDPC Worldwide).

The Company's domestic hotel operations, including that of the Company's own three-star hotel brand, Hotel101, are managed by HOA. DoubleDragon's international hotel operations, on the other hand, are

managed by Hotel101 Global Pte. Ltd. (Hotel101 Global). Hotel101 Global is jointly owned by HOA and DDPC Worldwide.

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. In 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 Hotel101 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 Hotel101. This enables the Company to generate 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.

HOA likewise operates Injap Tower, a 21-storey condotel located in Iloilo City.

Hotel 101 Management Corporation, a wholly-owned subsidiary of HOA, operates and manages all of the Company's hotel properties.

As of end-September 2024, the hospitality segment had six operational hotels and condotels, with an aggregate room count of 1,482.

Table 3 Hotel101 Operational Developments

Operational Developments	Rooms
Hotel101- Fort	606
Hotel101 - Manila	518
JinJiang Inn - Ortigas	95
JinJiang Inn - Makati	59
JinJiang Inn - Boracay Station 1	10
Injap Tower	194
TOTAL	1,482

On July 16, 2024, the Securities and Exchange Commission (SEC) issued a memorandum circular to regulate the sale of properties with rental pool agreements, in line with the rising trend of real estate developers offering potential investment returns and additional income by renting out properties. Considering Hotel101's business concept, it is subject to the abovementioned regulation. According to management, the Company welcomes this development. Management also pointed out that DoubleDragon had been collaborating with the SEC in crafting the guidelines for the memorandum circular, even prior to the latter's issuance. The Company expects Hotel101, under the memorandum circular, to be among the first to register with the SEC. Considering that Hotel101 is one of the larger players in the condotel space, the Company sees this development as favorable, in the long term.

DoubleDragon is undertaking major milestones in expanding its hotel operations abroad. In April 2024, an agreement was signed among Hotel101 Global, engineering firms Kamita Sekkei and Technocrew, and contractor Iwata Chizaki Inc. to develop a 9,000-sq m parcel of land in Hokkaido Prefecture as Hotel101 – Niseko. The project will add 482 rooms to the Company's hotel portfolio. On August 9, 2024, Hotel101 – Niseko officially received its Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

certification, making it the first CASBEE-certified project in Niseko, Hokkaido Japan. 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 Company's hotel portfolio. The project, which is anticipated to be finished by the last quarter of 2025, held its groundbreaking ceremony in March 2024.

One development that bodes well for 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 P30.4 million) 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. 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 was on account of the lack of residential supply and rising property prices in the country, fueled by escalating demand for real estate.⁸ According to management, since the announcement to end the Golden Visa Program, there was even greater demand for units in Hotel101 – Madrid. Management also highlighted that the change in the program entails changing the law, and hence may take some time to complete. Management also disclosed that there is a large number of clients buying purely for investment, and not for golden visas. These clients share the Company's belief that the potential capital appreciation and returns of the project are very attractive. It should be noted, however, that the application for the Golden Visa program is optional to unit buyers.

On September 26, 2024, DoubleDragon announced the release of the first batch of Golden Visas to the first batch of Hotel101 – Madrid unit owners. According to the Company, this was just after six months and 16 days from their purchase of Hotel101 – Madrid units. The second and third batches of Golden Visas were issued to unit owners on October 17 and November 26, respectively. Following the three batches of visa releases, DoubleDragon expects new batches of Golden Visas to be released to Hotel101 unit owners every few weeks. Hotel101 Global CEO Hannah Yulo-Luccini claims that the project attracted international real estate investors as it provides an opportunity for them to participate in Spain's growing hotel industry, particularly in Madrid. Hotel101 – Madrid is expected to be completed by end-2025.

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

The first three overseas projects of Hotel101, namely Hotel101 - Niseko, Hotel101 - Madrid, and Hotel101 - Los Angeles, are estimated to generate inflows of \$471 Million (approximately P27.2 billion) in revenues.

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/>

In the long term, DoubleDragon aims to cap the revenue contribution from each country. This will geographically diversify the Company's revenue sources, taking into account the volatility of the world economy.

Table 4 Ongoing Projects under the Hospitality Segment

	Lot Area (ha)	Rooms	Start	Finish
Ongoing Developments				
Ascott-DD Meridian Park Manila	<i>n/a</i>	349	2018	1H 2025
Hotel101 - Davao	0.54	519	2018	2H 2024
Hotel101 - Cebu	0.26	548	2021	1H 2025
Hotel101 - Niseko	0.89	482	2023	2H 2026
Hotel101 - Madrid	0.66	680	2023	2H 2025
Hotel101 - Libis	0.26	702	2024	2H 2026
TOTAL		3,280		

Hotel101 – Davao, which was scheduled to be completed by 2H 2024, is substantially finished as of report-writing date. However, it is scheduled to officially open to the public in 2025.

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 NASDAQ under the ticker symbol "HBNB". Upon completion of the proposed business combination 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) in the US Stock Exchange. The business merger and listing are expected to be completed after regulatory and shareholder approvals and other customary closing conditions.

On October 10, 2024, the Company conducted the topping-off ceremony of Hotel101 – Cebu. Situated along the Cebu Mactan Airport Terminal Road near Mactan Marina Mall, the project aims to be the largest airport hotel in the Visayas and Mindanao region. The project is already 100% sold, even prior its expected completion in 1H 2025.

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 the US) 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 HBNB's NASDAQ listing.

DoubleDragon aims to substantially grow its hotel room count, backed by the continued expansion of its Hotel101 portfolio, both locally and internationally. The long-term goal of Hotel101 Global is to have one million operating Hotel101 rooms worldwide, before 2050. Of the targeted one million rooms, 50,000 rooms are expected to be in the Philippines.

Industrial Leasing Segment

DoubleDragon carries out its industrial leasing business through subsidiary CentralHub Industrial Centers Inc. (CHICI). As of July 31, 2024, DoubleDragon owned 60.9% of CHICI, while 39.1% was held by JFC and its wholly-owned subsidiary Zenith Foods Corporation (ZFC). The partnership's goal is to make CentralHub the first industrial 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. With the continued decline of interest rates, DoubleDragon is expecting the listing to push through by 2H 2025.

As of September 30, 2024, DoubleDragon owned ten industrial sites covering 60.6 ha of prime industrial land. Five of the CentralHub sites are currently operational.

Table 5 Operational CentralHub Sites

Operational Industrial Centers	Gross Floor Area (sq m)
CentralHub - Tarlac (Phase 1 - 3)	25,298
CentralHub - Capiz	4,407
CentralHub - Camelray, Laguna 1 - 2	70,286
CentralHub – Santolan, Pasig	8,752
CentralHub - Danao	27,212
CentralHub - Tarlac (Phase 4)	5,599
TOTAL	141,554

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 of lease term, thus providing long-term cashflows for the Company. DoubleDragon, through CHICI, currently has plans to develop more CentralHub industrial centers and intends to acquire additional sites that are strategically located across Luzon, Visayas, and Mindanao.

Table 6 Ongoing and Proposed Developments under the Industrial Leasing Segment

	Lot Area (ha)	Start	Finish
Ongoing Developments			
CentralHub - Sta. Barbara, Iloilo	3.86	1H 2021	2H 2024
CentralHub - Silay Negros 1 & 2	10.06	2H 2023	2H 2025
Proposed Developments			
CentralHub - Davao	4.04	1H 2025	2H 2025
CentralHub - Surigao	6.41	2H 2025	1H 2026

CentralHub - Sta. Barbara, Iloilo, which was planned to be completed by 2H 2024, is substantially finished as of report-writing date. The new hub is scheduled to open in 2025.

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 September 30, 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. This 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 may prove helpful for property development projects going forward.

As of July 31, 2024, the Group had 616 (of which 222 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. 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.

In 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 US, 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 IPO. In the long term, DoubleDragon targets to operate one CentralHub complex in each of the 82 provinces of the Philippines.

Consistent with previously disclosed strategies, on December 14, 2024, DoubleDragon disclosed its next five significant goals by 2035, as follows:

1. Exceed P500 billion in global consolidated annual revenue and exceed P50 billion in net income level
2. Complete its footprint in all 82 provinces in the Philippines
3. To have planted its footprint in 100 countries worldwide via Hotel101 Global
4. Become a totally debt-free company
5. Generate annual cash dividends exceeding P12 billion by 2035

DoubleDragon sees these targets to be mainly driven by the global expansion of Hotel101 Global and the completion of its CentralHub REIT listing.

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)⁹ 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.

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. On August 9, 2024, the latter officially became the first hotel in Niseko, Hokkaido Japan to secure a CASBEE certification.

⁹ 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

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 support 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.

INDUSTRY

Metro Manila Property Market

Residential¹⁰

The Metro Manila residential market in 3Q 2024 was impacted by elevated mortgage rates and a significant backlog of unsold ready-for-occupancy (RFO) units. Developers launched only 8,000 pre-selling units in 9M2024, marking a 61.0% decline year-on-year (YoY). This cautious approach was driven by the 27,200 unsold RFO units, particularly in the lower to upper mid-income segments (property prices ranging from ₱3.6 million to ₱12.0 million), which accounted for 57.0% of the remaining inventory. High levels of unsold RFO units were concentrated in Pasig City, QC-South, Parañaque, Manila North, Makati Fringe, and QC-North.

In terms of demand, pre-selling condominium sales reached 9,300 units by the end of 3Q 2024, a 53.0% decline compared to the same period in 2023. Despite this slowdown, the upscale and luxury segments showed resilience, supported by steady demand from higher-income buyers. Meanwhile, the affordable and mid-income segments struggled to gain traction amid rising borrowing costs. The Philippine central

¹⁰ Colliers Q3 2024 Metro Manila Residential Report

bank's recent interest rate cuts may offer some relief, with analysts anticipating mortgage rates to improve by 2025, and which could help revive buyer interest.

On the supply side, the market recorded the completion of 830 units during the quarter. Notable projects included Alveo Land's Cerca Viento Tower 2 in Alabang and four towers of Megaworld's Bayshore Residential Resort in the Bay Area. For 2024, Colliers now forecasts a total of 9,860 completed units, down from the previous estimate of 11,290, due to delays in the turnover of SM Development Corporation's (SMDC) Sail Residences. These delays are expected to push new supply into 2025, further adding to inventory pressures.

The rental market showed limited growth, with lease rates increasing marginally by 0.2% during the quarter. Elevated vacancy, driven in part by Chinese employees vacating units in the Bay Area following government restrictions on POGO, continues to hamper rental recovery. Developers, however, remain aggressive in efforts to attract tenants and buyers, offering attractive payment terms, early move-in promos, and enhanced amenities. These initiatives are aimed at mitigating the impact of high vacancy rates, which stood at 17.4% in 3Q 2024.

Colliers anticipates a slow recovery for both rents and capital values, with annual growth of 2.0% to 2.5% projected through 2026. While long-term outlook is expected to improve as infrastructure projects near completion, the near-term market remains constrained by significant inventory and cautious buyer sentiment.

Office¹¹

The Metro Manila office market in 3Q 2024 saw a negative net take-up for the first time since 2021, driven by space surrenders from POGOs and non-renewal of pre-pandemic leases. Colliers projects vacancy rates to rise to 20.5% by the end of 2024, with net take-up remaining flat YoY due to these factors.

Demand for office space remained relatively stable in 3Q 2024. Traditional firms, including government agencies, banking institutions, and flexible workspaces, accounted for 53.0% of office deals in 9M2024. Notable transactions were recorded in Quezon City and Fort Bonifacio, with companies such as Telus, Accenture, and the London Stock Exchange Group occupying space in these areas. Demand continues to be concentrated in prime locations, while areas with higher exposure to the POGO sector, such as the Bay Area, experienced slower demand.

On the supply side, only 9,500 sq. m of office space was completed in 3Q 2024, a sharp decrease from previous years. Colliers expects new supply for the year to total 295,700 sq. m, down 52.0% from 2023, due to construction delays and higher vacancy rates in certain submarkets. Makati, Fort Bonifacio, and Ortigas are expected to account for most of the new supply in the coming years.

Vacancy rates rose to 18.5% in 3Q 2024, driven by POGO-related space surrenders and tenant rightsizing. Colliers expects vacancy to increase further by year-end, particularly in secondary markets like the Bay Area, Alabang, and the Makati Fringe, while primary CBDs such as Makati CBD, Ortigas CBD, and Fort Bonifacio are expected to recover faster due to relatively lower vacancy rates.

Rental rates in Metro Manila decreased by 0.6% quarter-on-quarter in 3Q 2024. Colliers forecasts that rents will remain stable by the end of 2024. However, submarkets with significant POGO exposure, particularly the Bay Area, are likely to see further rent declines. In contrast, rents in prime CBDs are

¹¹ Colliers Q3 2024 Metro Manila Office Report

expected to experience slight increases due to declining vacancy rates and sustained demand from traditional tenants.

Retail¹²

In 3Q 2024, the Metro Manila retail market saw sustained demand, particularly from food and beverage (F&B) retailers. These retailers continued to dominate mall space take-up, alongside the expansion of foreign retailers from sectors like home furnishings and personal accessories. This demand from both local and international brands drove growth in physical retail space absorption across Metro Manila.

In terms of supply, 86,900 sq. m of new retail space was delivered in 3Q 2024, including openings such as Opus Mall in Quezon City, SM City Caloocan, and the expansion of SM Bicutan in Parañaque. Moving forward, from 2024 to 2026, annual retail supply is expected to taper, with an estimated delivery of 159,600 sq. m as developers increasingly focus on redeveloping existing malls. Notable malls undergoing redevelopment include SM Megamall, SM East Ortigas, Greenbelt, Glorietta, Trinoma, and Robinsons Forum, reflecting the push to meet changing consumer preferences.

Vacancy rates showed improvement in 3Q 2024, declining from 15.5% in Q1 to 15.1%, driven by sustained retailer demand. However, vacancies are expected to rise slightly to 15.3% by the end of 2024 due to the new retail supply and some retailers adopting a wait-and-see approach to absorption. Despite this, the market remains resilient, with demand from both local and foreign brands continuing to support mall operators.

Rent remained stable, with no dramatic increases due to the substantial new supply. However, premium rents were noted in business hubs and malls with lower vacancy rates. These areas with high activity continue to attract strong demand from retailers.

Overall, the Metro Manila retail market is poised for continued growth, with mall operators focused on redeveloping existing spaces to meet the evolving demands of consumers and retailers.

Hospitality¹³

The hospitality sector in the Philippines showed positive signs of recovery in 2024, with international tourist arrivals reaching 4.4 million as of September, marking a 9.9% YoY increase. As a result, hotel occupancy rates in Metro Manila improved, reaching 76.9% in 3Q 2024. This growth was further supported by holiday-driven demand and stronger tourism numbers. Additionally, average room rates increased to P7,971 per night, reflecting a 2.2% quarter-on-quarter and 3.8% YoY growth. Room rates are projected to reach at least P8,000 by the end of the year.

Despite these positive developments, the Philippines is expected to fall short of the Department of Tourism's target of 7.7 million foreign arrivals for 2024. Nonetheless, it is still on track to exceed the previous year's total of 5.5 million. Notably, Japan has now surpassed China as the third-largest source market for the Philippines in 2024.

In line with the recovery in tourism, private sector developers are committing to significant new hotel projects nationwide. A total of 158 new accommodation projects, adding 40,084 rooms, are in the pipeline, with investments amounting to P250 billion. Key development areas include Luzon, particularly

¹² Colliers Q3 2024 Metro Manila Retail Report

¹³ Q3 Property Report 2024: Navigating Transition – Leechiu Property Consultants

<https://www.jll.com.ph/en/newsroom/metro-manila-real-estate-market-shows-mixed-performance-in-q3-2024-jll>

Clark (2,098 keys) and Metro Manila (over 8,000 keys). Additionally, resort destinations in the Visayas, including Boracay, Mactan Island, and Panglao Island, are expected to contribute a significant portion to the new room supply.

Impact of POGO Ban on the Philippine Property Market¹⁴

The Philippine government's decision to end POGOs by the end of 2024 will have an impact on the property market, particularly in Metro Manila.

In the office sector, POGOs have vacated 274,000 sq. m of space in 2024. This led to a 65% increase in office vacancies compared to last year. The majority of these exits were a result of the government's announcement in July of a complete POGO ban, with many leases being terminated and canceled. This trend is expected to continue, resulting in higher vacancy rates and downward pressure on rental rates in the office market.

In the residential market, an oversupply of units is likewise expected as a result of the ban. POGO workers, many of whom were expatriates, were significant consumers of luxury condominiums. Their departure could increase vacancy rates and reduce rental yields in the high-end residential segment moving forward.

Some developers, including SMPH and Filinvest REIT Corp., have reported minimal exposure to POGOs and anticipate limited disruption in relation to the ban. The reduction in POGO-related activities in the country may lead to efforts from developers to attract other industries to fill the gap in the property market.

Overall, the POGO ban is expected to affect both office and residential markets, with adjustments anticipated as developers shift focus to other sectors.

Industrial¹⁵

In 6M2024, food and beverage (F&B) establishments, semiconductor firms, and machinery manufacturers took up industrial space. Aside from these, Colliers is also seeing distribution centers for community marts likely driving the demand.

Industrial vacancy in the CALABA¹⁶ region in 6M2024 increased to 7%, from 5.5% in end-2023. Colliers attributes such to the additional industrial space delivered in Laguna and Batangas. Non-renewals and pre-terminations from logistics firms were also seen, indicating a softening demand from the e-commerce sector as compared with the pandemic period. Nonetheless, vacancy is seen to improve in the second half of the year as many fast-moving consumer goods (FMCG) firms tend to expand particularly during the holiday season.

¹⁴ <https://www.gmanetwork.com/news/topstories/nation/929606/pogo-office-space-leechiu-property-consultants/story/>
<https://agbrief.com/news/philippines/31/07/2024/pogo-ban-could-halve-rental-and-increase-condo-vacancy-rates-experts/>
<https://manilastandard.net/real-estate/314477395/ph-property-sector-to-survive-pogo-ban>
<https://www.bworldonline.com/top-stories/2024/08/12/613381/philippine-property-developers-unfazed-by-govt-ban-on-pogos/>

¹⁵ <https://bilyonaryo.com/2024/03/16/invest-where-demand-booms-industrial-market-surges-ahead-offices-struggle-to-catch-up/property/>

¹⁶ Cavite, Laguna, and Batangas

In the next two years, Colliers expects the delivery of around 700 ha of new industrial space in Southern and Central Luzon. Among the industrial parks likely to be completed in the CALABA region are Filinvest Innovation Park – Ciudad de Calamba in Laguna and Batangas Technopark.

The demand for industrial space will likely be supported, in particular, by manufacturing firms planning to expand their operations in the country.

ECONOMY

Gross Domestic Product¹⁷

The current Marcos administration has revised its economic growth targets for 2024 to 2028 in response to domestic and global uncertainties. The Development Budget Coordination Committee (DBCC) set the 2024 GDP growth target at 6.0-6.5%. For 2025, it had set a wider range of 6.0-8.0% GDP growth target, which will be maintained through 2028. The government remains optimistic about the GDP growth for 2024, citing factors like holiday spending, disaster recovery, low inflation, and a strong labor market. However, challenges such as weather disruptions and slower government infrastructure spending continue to create uncertainties.

On December 10, 2024, the World Bank (WB) similarly downgraded its 2024 growth outlook on the Philippines, with powerful typhoons emerging as a major threat to the economy and poverty reduction. In its latest Philippine Economic Update, the WB forecast GDP this year would grow by 5.9%. The forecast is lower than its previous forecast of 6% and is also below the government's target. The WB said the lower forecast was triggered by below the market consensus growth of 5.2% in the three months ending September 2024, which was the weakest reading in more than a year following the onslaught of storms that disrupted government spending and damaged crop output.¹⁸

In 3Q 2024, the Philippine economy grew by 5.2%, lower than the 6.0% recorded in the same period last year. As a result, the year-to-date GDP growth stands at 5.8%, slightly below the government's 6.0% target. Despite the slowdown, the country remains one of the fastest-growing economies in the region, outperforming Indonesia, China, and Singapore. Growth was mainly driven by expansion of 6.3% in the Services Sector and 5.0% in the Industry Sector, although the Agriculture, Forestry, and Fishing Sector contracted by 2.8% due to adverse weather, El Niño effects, and a fishing ban.

On the demand side, Household Final Consumption Expenditure rose by 5.1%, supported by lower inflation. Growth in government consumption, however, slowed to 5.0% from 6.7%. Additionally, Gross Capital Formation grew by 13.1%. Imports of goods and services increased by 6.4% while exports declined by 1.0%. Despite these challenges, National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan remains optimistic that the 6.0% growth target for 2024 can still be achieved, citing expectations of increased holiday spending, more stable commodity prices, and lower interest rates.

¹⁷ <https://www.pna.gov.ph/articles/1237302>

<https://www.pna.gov.ph/articles/1235008>

<https://www.manilatimes.net/2024/12/03/business/top-business/amro-lowers-2024-ph-growth-outlook/2014480>

<https://business.inquirer.net/493642/ph-targets-6-8-growth-till-2028>

¹⁸ [https://business.inquirer.net/495756/world-bank-trims-ph-growth-outlook#:~:text=The%20World%20Bank%20\(WB\)%20on,the%20economy%20and%20poverty%20reduction.](https://business.inquirer.net/495756/world-bank-trims-ph-growth-outlook#:~:text=The%20World%20Bank%20(WB)%20on,the%20economy%20and%20poverty%20reduction.)

Inflation¹⁹

The Philippines' headline inflation rose from 1.9% in September 2024 to 2.3% in October, bringing the year-to-date average to 3.3%. This is an improvement from 4.9% in October 2023. The increase was mainly driven by food and non-alcoholic beverages inflation, which rose from 1.4% to 2.9%, partly offset by transport inflation, which saw a decline of 2.1% from 2.4% in September.

Other commodity groups showed slower inflation, including alcoholic beverages and tobacco (3.1% to 3.0%), clothing and footwear (2.9% to 2.7%), and housing, water, electricity, gas and other fuels (3.3% to 2.4%). Inflation of household items, recreation, and personal care also decreased.

The largest contributors to October's inflation were food and non-alcoholic beverages (46.9%), housing and utilities (22.0%), and restaurants and accommodation services (16.1%).

Despite the uptick in October, inflation remains within the government's target. NEDA Secretary Arsenio Balisacan emphasized the government's focus on maintaining price stability and addressing supply chain challenges caused by recent weather disturbances.

Meanwhile, the Bangko Sentral ng Pilipinas (BSP) cut interest rates by 25 basis points on December 19, 2024, marking its third consecutive rate cut for the year. This brought the reverse repurchase rate to 5.75%, down from 6.0% in the previous month. The central bank also revised its inflation forecast for 2025 to 3.4% (3.3% in November), while maintaining its projection of 3.7% for 2026. BSP is expecting the full-year inflation rate to stay within the target range of 2.0-4.0% in 2024.

In November 2024, the Philippine Peso sunk to a two-year low of P59 against the US Dollar—first on November 21 and once again on November 26. The last time the Philippine Peso closed at the P59-a-dollar level was in October 2022. The US dollar continued to strengthen against Asian and most major global currencies on the back of fresh developments following the re-election of Donald Trump.

FINANCIAL PROFILE

Analysts' Note: *PhilRatings considered a new set of projections for this rating review. Considering the seven-year tenor of the proposed issuance, the projections for this rating exercise covered a longer period of up to 2032. Moreover, there have been several adjustments in the projected financial statements for the years 2027 to 2030. Projected financial statements for the years 2024 to 2026, on the other hand, were unchanged from the previous set provided to PhilRatings.*

Profitability

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.

¹⁹ <https://psa.gov.ph/content/summary-inflation-report-consumer-price-index-2018100-october-2024>
<https://www.gmanetwork.com/news/money/economy/925996/inflation-accelerates-to-2-3-october-2024/story/>
<https://www.bworldonline.com/top-stories/2024/10/17/628412/bsp-cuts-rates-for-a-2nd-straight-meeting/>

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 September 2024

In 9M2024, DoubleDragon recorded a modest revenue growth of 4.5% to P6.4 billion, on the back of higher rent income, hotel revenues, and other revenues. Other revenues posted the highest increase, growing from P1.6 billion in 9M2023 to P1.9 billion in 9M2024. Such was on account of higher cinema revenues, revenues from advertisements/amusement charges, interests, and other charges to tenants. Rent income, which represented 46.5% of total revenues for the period, grew to P3.0 billion. This was up by 6.6% from P2.8 billion in 9M2023. The increase was due to the combined effect of rental escalation and new tenants onboarded. The hotel segment continued its positive performance, with revenues increasing by 35.2% to P618.1 million, due to better occupancy rates of hotel properties and additional hotel revenue from the newly opened Hotel101 – Fort.

The improved performance of the aforementioned segments offset the recorded decline in DoubleDragon's real estate sales. In 9M2024, real estate sales amounted to ₱838.6 million, a 30.7% decline from P1.2 billion recorded in the same period of 2023. The decrease was attributed to the limited remaining units of inventory left for sale for its local Hotel101 projects, and the timing of the revenue recognition based on construction completion. DoubleDragon expects to begin sales recognition for its overseas projects, Hotel101 Niseko and Hotel101 Madrid, in 4Q2024 upon significant completion of the construction. Nonetheless, according to DoubleDragon, a significant portion of these overseas projects, approximately \$45 million (P2.6 billion), were already sold.

Growing in line with the topline growth, cost and expenses increased by 4.8% to P2.5 billion. While DoubleDragon recorded a 30.4% decline in the cost of real estate sales, such was offset by the increase in cost of hotel operations (+35.0% to P432.7 million) and higher general and administrative expenses (+13.4% to P1.5 billion) in 9M2024. Moreover, interest expense recorded a slight increase of 3.3% to P1.2 billion. Higher income tax expense was also recorded for the period due to the higher taxable income.

DoubleDragon recorded a net income of P2.5 billion in 9M2024, up by 2.4% from the net income level in the same period in 2023.

Projected Period (2024 – 2032)

Beginning 2025, the Company expects to generate ample revenues from its 1.3 million sq. m of completed projects as they become mature assets.

The Company's leasing income (rent income and hotel revenue) and real estate sales are expected to, generally, show an uptrend over the projected period. The growth in the hotel segment will be largely due to the expansion of Hotel101 and improved occupancy rates for its operating hotels. Rent income growth from malls and offices, on the other hand, will be supported by new office tenants and additional rentals from operating and new malls.

Double Dragon's long-term goal is to build a strong base of recurring lease income (retail, office and industrial) and hospitality operations. The Company aims to increase its lease portfolio to 2.4 million sq. m of GFA spread across the following segments: 30% in retail, 15% in office, 20% in hospitality, and 35% in industrial leasing. Having a strong recurring revenue stream from leasing is seen to further enhance DoubleDragon's credit profile, given higher margins and stability of recurring cashflows.

Similarly, real estate sales will substantial grow over the projected period on account of the completion and the expected sale of the Company's residential and Hotel 101 projects. As part of its long-term strategy to focus on its lease portfolio, DoubleDragon is expected to transition out of this segment once the real estate inventory has been fully sold.

While cost and expenses are seen to increase at a faster rate compared with revenue growth, profitability is seen to be sustained throughout the projected period. Operating profit margin, likewise, will remain high.

Cashflow and Liquidity*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 September 2024

While DoubleDragon generated a P176.7 million cash inflow from operations in 9M2024, an improvement from an outflow in 9M2023, the P3.2 billion interest payment in 9M2024 led to the negative cash from operating activities (net) during the period. DoubleDragon ended 9M2024 with a negative operating cash of P3.0 billion. This, however, was lower than the P3.3 billion negative operating cash used in operating activities (net) in the same period of 2023.

Net cash used in investing activities amounted to P2.1 billion in 9M2024, down by 7.7% YoY primarily on account of lower additions to property and equipment. In contrast, the Company generated a net cash of P7.6 billion from its financing activities. Proceeds from the avilment of notes and bonds during the period amounted to P21.6 billion. Such was partially offset by the P13.8 billion payment for notes, loans, and dividends.

As a result of the foregoing, cash and cash equivalents increased by 84.0% to P5.4 billion as of end-September 2024, up from the P2.9 billion cash balance as of end-2023.

Current ratio improved to 1.3x of end-September 2024 due to the combined effect of higher quick assets and lower accounts payable.

Projected Period (2024 – 2032)

From 2025 onwards, DoubleDragon's portfolio will already be all fully completed and fully built up. As such, the Company's operating cash flows are expected to improve over the projected period. Additionally, in November 2024, DoubleDragon issued the first tranche of its P30.0 billion shelf registration bond program. The remaining portion of the shelf will be issued over the next two years, with the proposed second tranche expected in early 2025.

In the near term, DoubleDragon does not anticipate the need for substantial capital expenditure. As such, upcoming capital raising activities will be used to boost DoubleDragon's cash position. The projected earnings growth and the increased level of cash reserves will provide the Company with adequate liquidity to support its future operating and financing needs.

Current ratio is also expected to improve over the projected period, driven by the continued build-up of cash reserves, reduced debt reliance, and the maturity of its bonds.

Capital Structure

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 September 2024

While DoubleDragon generated P1.5 billion net income attributable to equity holders in 9M2024, the Company also declared P1.3 billion to be distributed as dividends. As such, the Company's retained earnings as of end-September 2024 was relatively unchanged from end-2023, at P37.5 billion. On the other hand, DoubleDragon's total debt grew by 15.9%, from P63.3 billion as of end-2023 to P73.3 billion as of end-September 2024. The increase in debt was on account of additional loans availed by the Company and the additional bonds issued for the period. In 9M2024, DoubleDragon issued a total of P11.0

billion worth of bonds, P9.7 billion of which was used to settle the Fixed Rate Bonds which matured on July 21, 2024.

As of end-September, 26.0% or approximately P19.1 billion (including the P2.5 billion Series 1A Notes) of the Company's total debts are maturing within one year. The rest, equivalent to 74.0% of DoubleDragon's long-term debts, will mature from 2025-2029.²⁰ Due to the negative operating cash flow in 9M2024, the Company's investing and financing needs were funded by the additional loans and the bond issuances.

The Company's debt to capitalization ratio stood at 43.6% as of end-September 2024, higher than the 40.1% recorded as of end-2023. DE ratio also inched up to 0.8x, from 0.7x as of end-2023.

Projected Period (2024 – 2032)

DoubleDragon's total debt is expected to increase in the near term. Such, however, is expected to decline in the medium term, with the maturity of the Company's issued bonds and its reduced debt reliance. Total equity, on the other hand, will be on an uptrend due to continued plowback of earnings.

DE ratio will remain more than acceptable, at less than 1.0x over the projected period.

Financial Flexibility

As of the report-writing date, DoubleDragon has substantial unused or unavailed bank lines and credit facilities from various financial institutions.

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 December 18, 2024, DoubleDragon had a market capitalization of P24.5 billion while DDMP REIT had P18.5 billion.

On September 20, 2024, DoubleDragon issued its Series D Fixed Rate Bonds in the amount of P4.0 billion. The bonds, with a coupon rate of 8.008%, will mature on September 20, 2029. Following this issuance, on November 27, 2024, the Company issued its P10.0 billion Series E Fixed Rate Bonds Due 2030. The Series E Fixed Rate Bonds had a lower coupon rate of 8.0%.

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, will grant the Company access to international funds and will help accelerate its global expansion plans.

²⁰ October 2025 - October 2029