

DoubleDragon's Proposed Maiden Bond Issuance Receives a PRS Aa Credit Rating

Philippine Rating Services Corporation (PhilRatings) has assigned an Issue Credit Rating of **PRS Aa** for DoubleDragon Properties Corp.'s (DoubleDragon) proposed bond issue with a total amount of P15.0 Billion. The Retail Bonds will be filed under a shelf registration that allows its issuance within a period of three (3) years. The Company intends to initially offer P5.0 Billion of Retail Bonds with an oversubscription option of an additional P5.0 Billion before the year ends. This is DoubleDragon's first time to tap the public bond market.

Obligations rated **PRS Aa** are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aa is the second highest rating category on PhilRatings' existing credit rating scale.

The rating reflects the following factors: DoubleDragon's clear and well-planned growth strategies; its strong alliance with its partners, as well as the expected buildup of the Company's recurring revenue base.

PhilRatings' ratings are based on available information and projections at the time that the rating process was on-going. PhilRatings shall continuously monitor developments relating to DoubleDragon and may change the rating at any time, should circumstances warrant a change.

DoubleDragon Properties Corp. is engaged in the business of real estate development, with a focus on developing a strong leasable portfolio of one (1) million square meters by 2020 in preferred industries, such as Provincial retail and Metro Manila office space. The Company was listed in April 2014 and is led by two of the most established fast food chain entrepreneurs in the country, Mang Inasal's, Mr. Edgar J. Sia II and Jollibee Foods Corp.'s Mr. Tony Tan Caktiong.

On February 17, 2014, SM Investments Corporation or SMIC, one of the leading conglomerates in the country, invested in CityMall Commercial Centers Inc. (CMCCI), a DoubleDragon subsidiary. SMIC currently holds 34% of CMCCI. CMCCI, on its part, will construct, build and develop DoubleDragon's CityMall projects in second- and third-tier cities across the Philippines.

CityMall is a branded community mall that will carry leading and solid brands from the Jollibee and SM Groups. DoubleDragon aims to build 100 CityMall branches by 2020. As of report writing date, there are eight (8) CityMalls that are already operational while twenty-four (24) are under construction and slated to open within the next few months. In addition, the company has

already secured fifty-three (53) commercial sites in provincial city centers across the Philippines (including those open and under construction). CityMall is envisioned to be the largest branded independent community mall chain in the Philippines.

Apart from its existing residential projects and CityMall expansion, DoubleDragon is also developing two (2) major office and commercial projects in Metro Manila: a 4.8 hectare prime commercial block at the entrance of the Bay Area and a 40-storey Grade A office Tower in the the Ortigas Business District.

Once completed, the 100 CityMalls, DD Meridian Park and Jollibee Tower will provide DoubleDragon with over one (1) million square meters of leasable space that will result in a stable recurring income stream for the Group. DoubleDragon intends to derive ninety percent (90%) of its income from recurring revenue sources.

Despite being a relatively new player in the competitive property market, DD's revenues already showed an improving trend historically. DD's revenue stream over the last three years has been continuously growing. From P661.9 million in 2013, total revenues increased by almost threefold to P1.7 billion in 2014. The increase was driven by the significant hike in real estate sales (+110%), coupled with high sales of mall stall units at Dragon8 Shopping Center. The strong sales take up of DD's existing projects such as W.H. Taft Residences, The Uptown Place, Injap Tower and FirstHomes subdivision likewise boosted the company's real estate sales.

In 2015, total revenues reached P1.9 billion, up by 12.8% from that for the previous year. The growth resulted from the increased contribution of rental income as five CityMalls were already operational during the year. As the company builds its recurring revenue base, its consolidated net income has shown continuous improvement. DD's net income reached P622.8 million in 2015, the highest level since the company started operations in 2010. Net profit margin was at 32.29% in 2015.

Total revenues increased by 15.3% to P705.8 million for the first six months of 2016. Bulk of revenues (75.3% of total) came from real estate sales which showed a 6.9% year-on-year improvement. As of report-writing date, there are already eight (8) operational CityMalls, with an average occupancy rate of 96%. This led to a jump in DD's rental income by more than 7x, from P12.3 million for the first half of last year to P92.4 million for the same period of this year. In addition, the Dragon8 Shopping Center in Divisoria was also already 95% leased out. This also resulted in a higher contribution of rental income to total revenues for the interim period, from 2% to 13.1% year-on-year. The company expects to see sustained growth momentum in its rental revenues as more CityMalls are set to open this year.

Given the projects that are in DoubleDragon's pipeline, revenues and net income are expected to improve over the long-term. Furthermore, with synergies to be harnessed from Mr. Sia, Mr. Tan

Caktiong and their companies and the SMIC Group, DoubleDragon is in a very good position to carry out its future plans. While Mr. Sia's and Mr. Tan Caktiong's experience is largely in the fastfood 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 market.

PhilRatings has likewise assigned a Rating Outlook of Positive to Double Dragon's credit rating for this proposed debt issue. 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 Positive Outlook is defined as: "There is a potential for the present credit rating to be upgraded in the next 12 months."