

2023 Capital and Debt Structure Review

The Board conducts an annual review to ensure that Megaworld's capital and debt structure aligns with its strategic goals and associated risk appetite, providing a solid foundation for continued growth and sustainability.

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio using amounts of contracted borrowings versus total equity. Capital for the reporting periods under review is summarized as follows:

	2023	2022
Interest-bearing loans and borrowings	P 71,780,316,218	P 49,658,496,220
Bonds and notes payable	31,114,591,251	45,239,075,510
	P 102,894,907,469	P 94,897,571,730
 Total equity	 P 260,667,845,972	 P241,020,522,952
 Debt-to-equity ratio	 0.39 : 1:00	 0.39 : 1:00

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Any past due or impaired financial assets are very minimal in relation to the Group's total financial assets. Breakdown of trade and other receivables as at December 31, 2023 and 2022 are as follows:

	2023	2022
Current	P 61,314,660,549	P 53,887,281,080
Past due but not impaired	3,370,020,203	3,054,577,313
	P 64,684,680,752	P 56,941,858,393

The Group manages its liquidity needs by closely monitoring scheduled payments for capital expenditures and maturing debts. To be able to finance these requirements, the Group utilizes internally generated funds and proceeds from debt and equity issuance.

As at December 31, 2023, the Group's financial liabilities have contractual maturities which are presented in the table below:

	Within 1 year	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings*	P 18,440,812,490	P 49,019,402,123	P 7,132,187,500
Trade and other payables	25,394,004,577	-	-
Bonds payable*	14,164,524,941	24,543,746,338	-
Advances from other related parties	1,247,044,914	-	-
Other liabilities	1,807,973,948	1,209,190,931	-
	P 61,054,360,870	P 74,772,339,392	P 7,132,187,500

*inclusive of future interest

There is regular evaluation of projected and actual cash flows and continuous assessment of market conditions or opportunities for debt issuance through loans or bonds or equity issuance.

The Group maintains a balanced debt portfolio of both fixed and floating interest rates to manage interest rate risk. Most long-term borrowings are subject to fixed interest rate while other financial assets subject to variable interest rates. The Group's ratio of fixed to floating rate debt stood at 1.05:1.00 and 1.44:1.00 as of December 31, 2023 and 2022, respectively.

The Company also hedges its dollar loans to manage foreign exchange and interest rate risks. Following table presents the hedged dollar loans as at December 31, 2023 and 2022:

	<u>In USD</u>	<u>In Peso</u>
As at December 31, 2023	<u>17,928,858</u>	<u>995,017,903</u>
As at December 31, 2022	<u>41,834,003</u>	<u>2,341,894,585</u>

These aspects of capital and debt structure are further reviewed by examining various financial ratios to ensure alignment with the Group's strategic goals and objectives:

Ratio	2023	2022
Current ratio	3.12	2.98
Acid test ratio	1.36	1.34
Solvency ratio	0.30	0.29
Debt-to-equity ratio	0.39	0.39
Net debt-to-equity ratio	0.30	0.28
Asset-to-equity ratio	1.69	1.70
Interest rate coverage ratio	4.89	5.46
Return on equity	0.08	0.07
Return on assets	0.05	0.04
Net profit margin	0.28	0.26