

2024 Capital and Debt Structure

Megaworld remains committed in maintaining a capital and debt structure that aligns with its long-term strategic objectives and risk management framework. The Board of Directors conducts a comprehensive annual review to ensure that the Group's financial position supports sustained growth, optimizes shareholder value and secures financial stability. The Group's capital management strategy prioritizes financial resilience, business continuity and delivering competitive shareholder returns. This approach is achieved by aligning pricing strategies with inherent financial risks while maximizing capital efficiency. In response to evolving economic conditions, the Group evaluates its capital structure using key financial metrics, primarily the debt-to-equity ratio, which compares the amounts of committed borrowings to total equity.

The capital structure for the reporting periods under review is as follows:

	2024	2023
Interest-bearing loans and borrowings	P 89,993,511,031	P 71,780,316,218
Bonds and notes payable	20,049,554,649	31,114,591,251
Total Debt	P 110,043,065,680	P 102,894,907,469
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Total equity	P 278,735,090,426	P260,667,845,972
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Debt-to-equity ratio	0.39 : 1:00	0.39 : 1:00

The Group implements stringent credit policies and continuously monitors financial stability of its customers and counterparties by assessing risks both individually and in aggregate. External credit ratings and cost-effective credit reports are obtained to further evaluate counterparties' creditworthiness.

The proportion of past due or impaired financial assets relative to total financial assets remain minimal. Breakdown of trade and other receivables as at December 31, 2024 and 2023 are as follows:

	2024	2023
Current	P 70,467,769,815	P 61,314,660,549
Past due but not impaired	4,091,598,059	3,370,020,203
Total Trade and Other Receivables	P 74,559,367,874	P 64,684,680,752

To effectively manage its liquidity, the Group closely monitors scheduled capital expenditures and debt maturities. There is a regular evaluation of projected and actual cash flows, continuously assessing market conditions or opportunities for debt issuance through loans, bonds, or equity offerings. Funding requirements are primarily met through internally generated funds, debt issuance and equity offerings.

As of December 31, 2024, the Group's financial liabilities and their respective maturities are as follows:

	Within 1 year	1 to 5 years	More than 5 years
Interest-bearing loans and borrowings*	P 25,953,969,558	P 65,367,265,028	P 13,140,843,289
Trade and other payables	28,176,160,978	-	-
Bonds payable*	837,577,125	21,980,054,250	-
Advances from other related parties	1,463,852,566	-	-
Other liabilities	2,266,048,111	1,772,618,984	-
	<u>P 58,697,608,338</u>	<u>P 89,119,938,262</u>	<u>P 13,140,843,289</u>

*inclusive of future interest

The Group maintains a balanced debt portfolio of fixed and floating interest rates to manage interest rate risk. Most long-term borrowings are subject to fixed interest rates, while other financial assets are subject to variable interest rates. As of December 31, 2024, the ratio of fixed to floating rate debt was 0.47:1.00, compared to 1.05:1.00 in 2023. To mitigate foreign exchange and interest rate fluctuations, the Group utilizes derivative instruments, including cross currency and interest rate swaps.

The table below sets out information about the Group's hedging instruments and the related carrying amounts as of December 31:

	<u>Notional Amount</u>	<u>Derivative Assets</u>
2024		
Cross currency swaps	\$ 180,505,415	P 416,555,825
Interest rate swaps	<u>P 10,000,000,000</u>	<u>(57,317,173)</u>
		<u><u>P 359,238,652</u></u>
2023		
Cross currency swaps	<u>\$17,928,858</u>	<u>P 62,038,593</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	2024	2023
Current ratio	3.43	3.12
Acid test ratio	1.55	1.36
Solvency ratio	0.32	0.30
Debt-to-equity ratio	0.39	0.39
Net debt-to-equity ratio	0.32	0.30
Asset-to-equity ratio	1.68	1.69
Interest rate coverage ratio	4.87	4.89
Return on equity	0.08	0.08
Return on assets	0.05	0.05
Net profit margin	0.27	0.28

These risk management practices and financial strategies are regularly evaluated to ensure alignment with the Company's overarching strategic objectives, fostering financial stability, resilience and long-term growth.