

 PhilRatings PHILIPPINE RATING SERVICES CORPORATION <i>The Pioneer Domestic Credit Rating Agency</i>	RATING NEWS 22 March 2016
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Ayala Corporation Retains Highest Ratings for P40 Billion in Outstanding Bonds

Philippine Rating Services Corporation (PhilRatings) maintained its Issue Credit Ratings of **PRS Aaa** for the following outstanding retail bonds of Ayala Corporation (Ayala): a) P10 Billion Retail Bonds due on April 30, 2017; b) P10 Billion Retail Bonds due on November 23, 2019; c) P10 Billion Retail Bonds due on May 12, 2021 and d) P10 Billion Retail Bonds due on May 11, 2027.

PRS Aaa is the highest credit rating assigned by PhilRatings. 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.

The issue ratings assigned to Ayala's bonds reflect the following rating considerations: a) Ayala's strong brand equity and leading market position for its core businesses; b) well-defined strategy, backed by a strong management team with a solid track record; c) sustained profitability; and d) healthy cash flows and financial flexibility.

Ayala is one of the largest conglomerates in the Philippines. It has a leading presence in diverse industries that include real estate, financial services, telecommunications, water and used water service infrastructure, electronics manufacturing services, automotive dealership and distributorship, business process outsourcing, power generation, transport infrastructure, education, and healthcare. Ayala, in recent years, has taken on an aggressive growth strategy across its businesses to capitalize on a vibrant domestic economy.

The strong growth in Ayala's real estate and telecommunications businesses and a gain from the partial sale of its ownership stake in North Luzon Renewable Energy Corporation (NLREC), contributed to the solid performance of Ayala in 2015. Unaudited consolidated revenues amounted to P207.7 billion, higher by +13% from the P184.3 billion recorded in 2014. Net income attributable to equity holders of parent grew by 20% to P22.3 billion, beating the company's net income target of P20 billion a year ahead of schedule.

Unaudited consolidated cash and cash equivalents as of end-2015 went down by 9% to P82.2 billion, from P90.8 billion a year ago. The decline was due to an increase in inventories, combined with a significant addition to short-term investments. Cash reserves, however, were still sufficient to support current debt at 1.6x. In addition to its internal cash generation, Ayala's healthy balance sheet gives the company sufficient room to raise funding when necessary. Ayala is scheduled to release its audited 2015 full-year results in March 2016.

PhilRatings has likewise assigned a Rating Outlook of **Stable** to Ayala's credit rating. 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 12 months." Ayala's solid operating and

financial performance in 2015, its market dominance and proven track record, as well as the upside provided by its new businesses and planned projects, all contributed to the assignment of a Stable Outlook by PhilRatings.