



Pioneering tower sharing in the Philippines

Sale and leaseback of towers for PHP 77 billion

19th April 2022

Key objectives



**Valuation
uplift**



**Capital
reallocation**



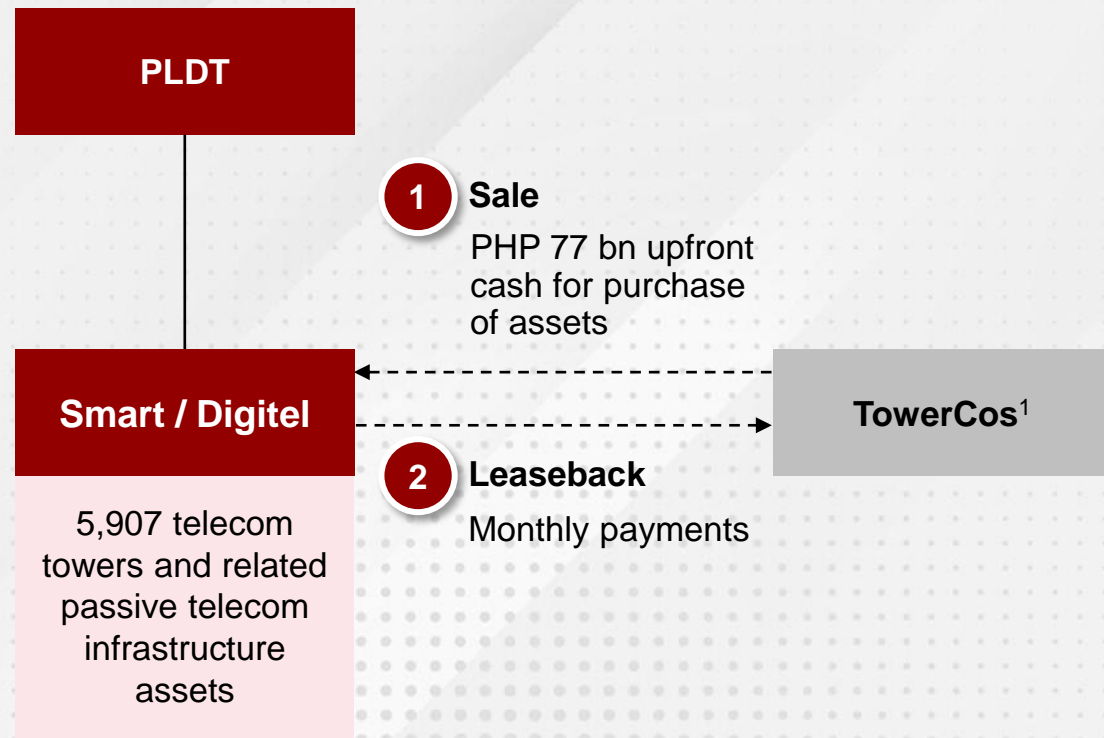
**Better
network quality
and efficiency,
higher resilience,
faster recovery**



Benefit the country by supporting digital infrastructure sharing

Landmark sale and leaseback of towers in the Philippines

Sale and leaseback of 5,907 telecom towers for PHP 77 billion



1 Sale of 5,907 telecom towers for PHP 77 billion

Portfolio 1

2,934 towers to be sold to a subsidiary of EdgePoint (Comworks Infratech Corp.) for PHP 35 billion

Portfolio 2

2,973 towers to be sold to a subsidiary of edotco Group (ISOC edotco Towers, Inc.) for PHP 42 billion

2 Leaseback of space on the towers for 10 years

In addition to space, TowerCo will be responsible for providing O&M services as well as power to the sites

3 Complemented by a commitment to build an additional 1,500 new towers

750 per portfolio:

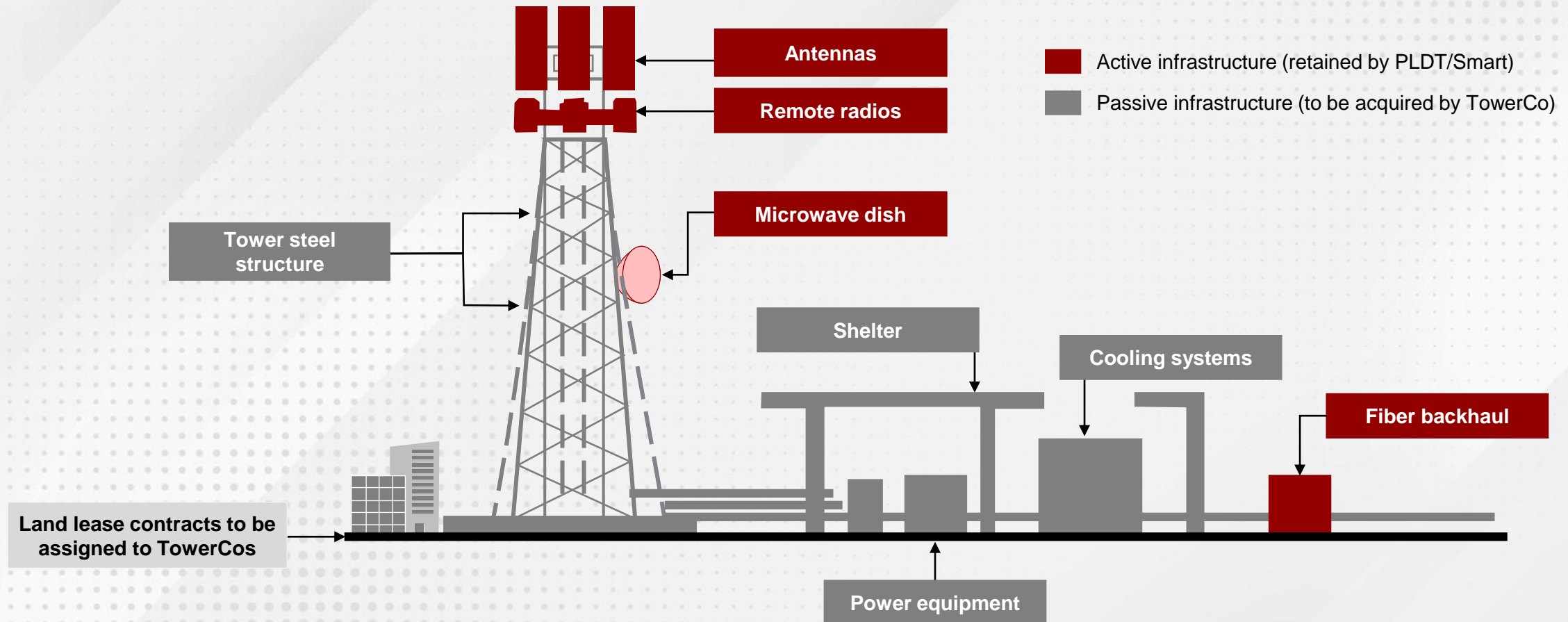
- 500 to be built by 2025
- 250 to be built over the subsequent 5 years

Note:

1. Comworks Infratech Corp. (subsidiary of EdgePoint) and ISOC edotco Towers, Inc. (subsidiary of edotco Group)

Only passive infrastructure is transferred

PLDT retains ownership of active infrastructure; TowerCos to own the passive infrastructure



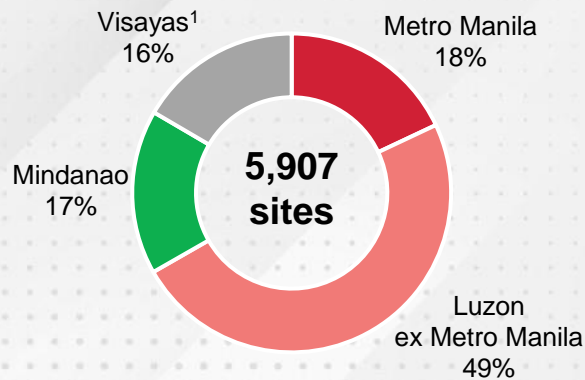
Monetization of 2 complementary tower portfolios

Approximately half of PLDT/SMART's tower portfolio to be monetized

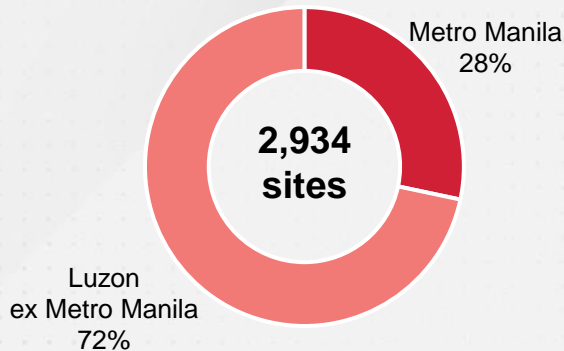
Geographical breakdown

Site type breakdown

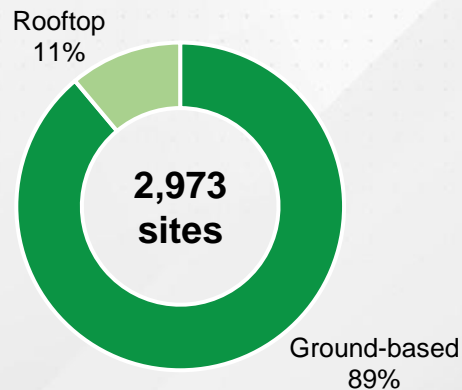
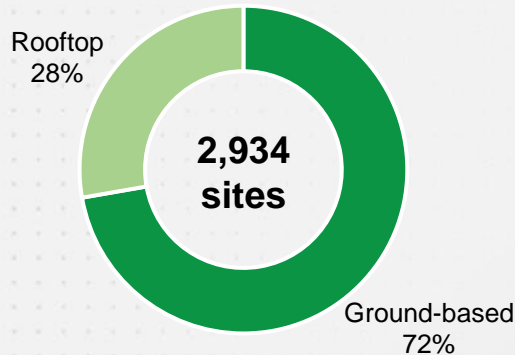
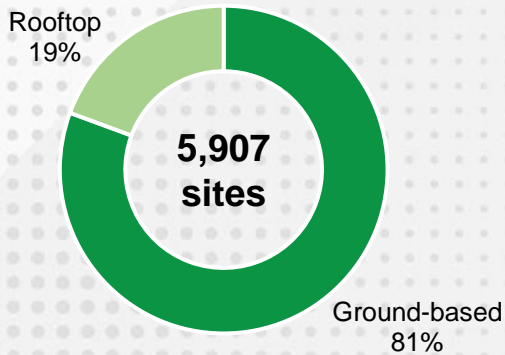
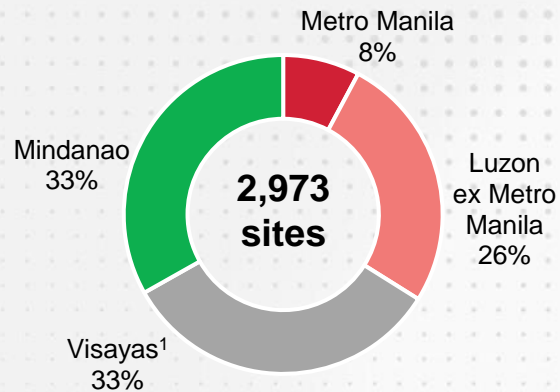
Total



Portfolio 1



Portfolio 2



Note:
1. Includes Palawan

Highly experienced international TowerCo partners

edotco Group

Over 54k owned and managed towers

Present in 9 countries

Over 20 years of experience in tower deployment

Backed by Axiata Group, a leading telecom operator in Asia



EdgePoint

Telecom tower platform in Asia

~10k towers in Indonesia and Malaysia

Partnership in the Philippines with Comworks and SMSGT (telecom services providers)

Backed by DigitalBridge:

- Dedicated global-scale digital infrastructure firm
- US\$ 45bn of assets under management across the digital ecosystem, including towers, data centers, fiber, small cells and edge infrastructure

will bring to PLDT...



International experience



Best-in-class operational expertise



Energy efficient and sustainable solutions



Higher uptime



Faster rollout



Faster recovery from typhoons and other natural calamities

Favorable leaseback terms

	Key terms	Benefits to Smart
Tenor	10 years	✓ Long-term guaranteed use of the towers by Smart
Currency	PHP	✓ No FX risk
Monthly base rate charge	PHP 100k / tower / month (PHP 70k base fee ¹ and PHP 30k O&M fee)	✓ In-line with running costs for PLDT/Smart ✓ Lower than current pricing for build-to-suit
Inflation escalation	Up to 3% p.a. on O&M component only (i.e. PHP 30k or 30%), none for non-O&M portion	✓ Protection against future inflation
Colocation discount	Yes	✓ Benefits from colocation with reduced pricing
Ground lease cost pass-through	None	✓ Smart monthly base rate charge not affected by any future increase in ground lease rent
Power	Pass-through at cost for electricity and fuel consumption	✓ Power provisioning to be provided by TowerCos against uptime requirements







Note:

1. Base fee subject to certain adjustments (for a small number of sites)

Leaseback rate considerations

Monthly base rate charge in line with running costs and appropriate considering services being received

- The PHP 100k/tower monthly base rate charge for the sale and leaseback is in-line with the running costs for Smart, which include:
 - Ground lease costs
 - O&M costs
 - Tower maintenance capex
 - Power capex (including batteries, generators, rectifiers)
 - Permits and tax
- It is also lower than the current pricing for build-to-suits in the Philippines
- Pricing is in-line with Indonesia when factoring (i) power capex, (ii) differences in ground lease cost and (iii) colocation discount

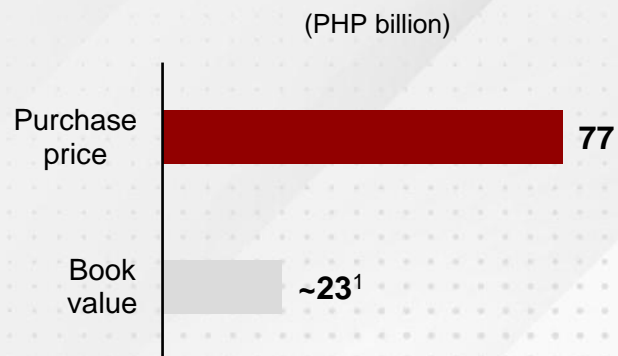
	 Philippines		 Indonesia	 USA
	Transaction			
	Sale and leaseback	Build-to-suit		
 Monthly base rate charge (PHP/tenant/month)	100	120	~45-50	~125-150
 Colocation discount	Yes	Yes	No	No
 Tower + Power	Yes	Yes	No	No

TowerCo to provide power to the sites and bear associated capex

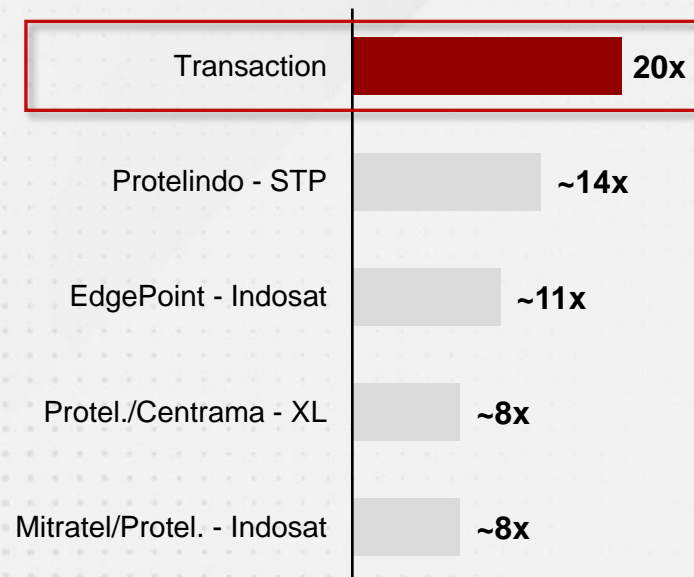
Superior valuation achieved

Attractive EV/EBITDA multiple of 20x attained for both portfolios

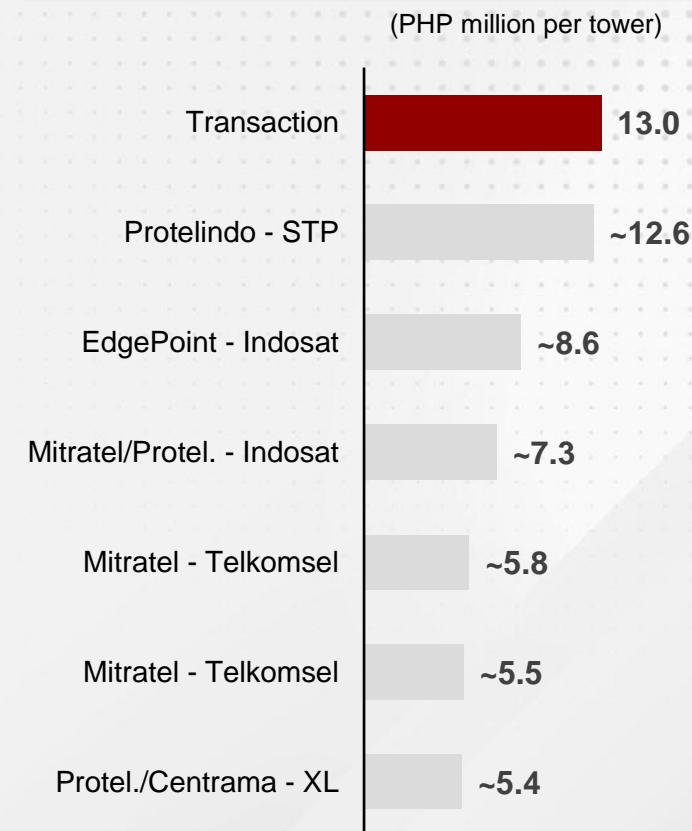
Significant premium over book value



Highest EV/EBITDA multiple²



Highest value per tower²



Sources: PLDT, public disclosures
Notes: USD 1 = PHP 50 where applicable

1. Include capex commitment

2. Compared to Asia tower transactions announced in the past 3 years (with public disclosure)

Significant gain on sale, EPS accretive transaction

Significant gain on sale

	(PHP bn)
Selling price	77
Less: Net assets sold	(23)
Gain on sale	55
Gain on sale and leaseback (upfront)	37
Estimated gain (net of tax³)	28
Deferred portion of gain	18

Smart leaseback of tower assets for 10 years

- Monthly base rate charge of PHP 100k
 - Base fee at PHP 70k
 - O&M service fee at PHP 30k

Gain on sale and leaseback is recognized by the seller-lessee to the extent of the rights transferred to the buyer-lessor, but deferred for the percentage of rights retained

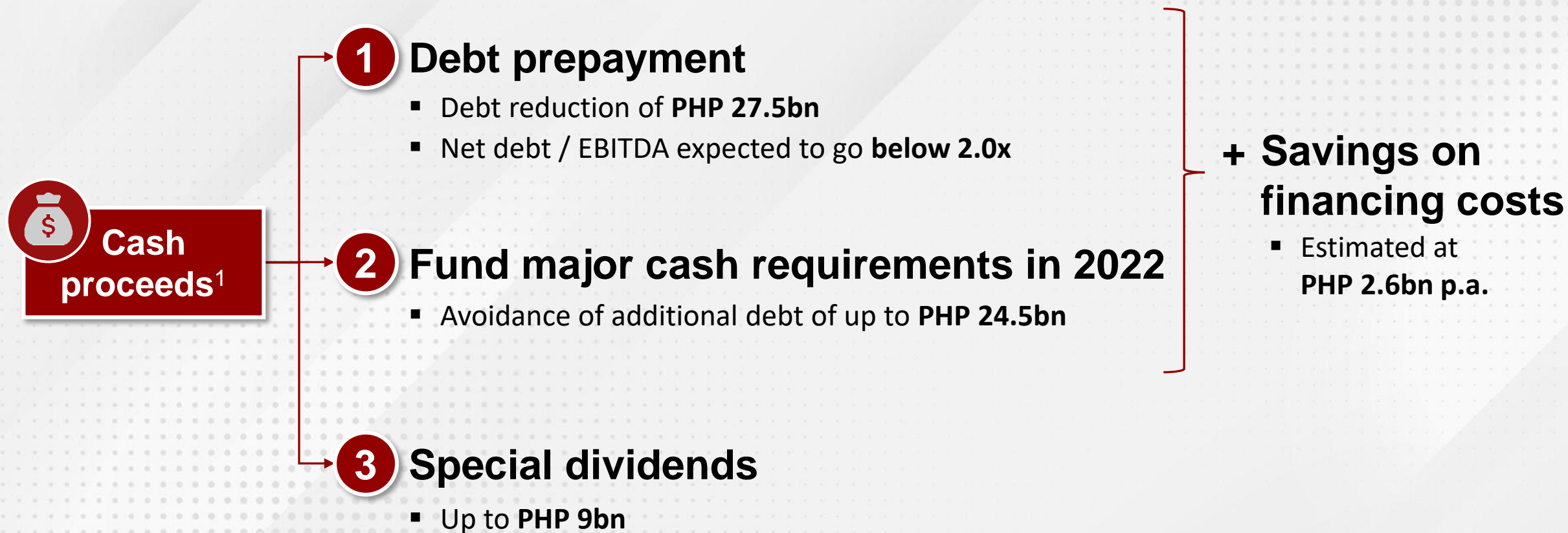
- 48% rights retained
- 52% rights transferred

Earnings uplift

(PHP bn)	Pre-sale	Post-sale ²	Difference
Expenses ¹	(7.0)	(5.7)	+1.4
Savings on financing costs	-	2.6	+2.6
Expenses and savings, pre-tax	(7.0)	(3.1)	+4.0
Expenses and savings, post-tax	(5.3)	(2.3)	+3.0

EPS accretion of ~10%
(based on FY2021 net income)

Notes:
 1. O&M opex and depreciation
 2. Average over 10 years
 3. Corporate income tax



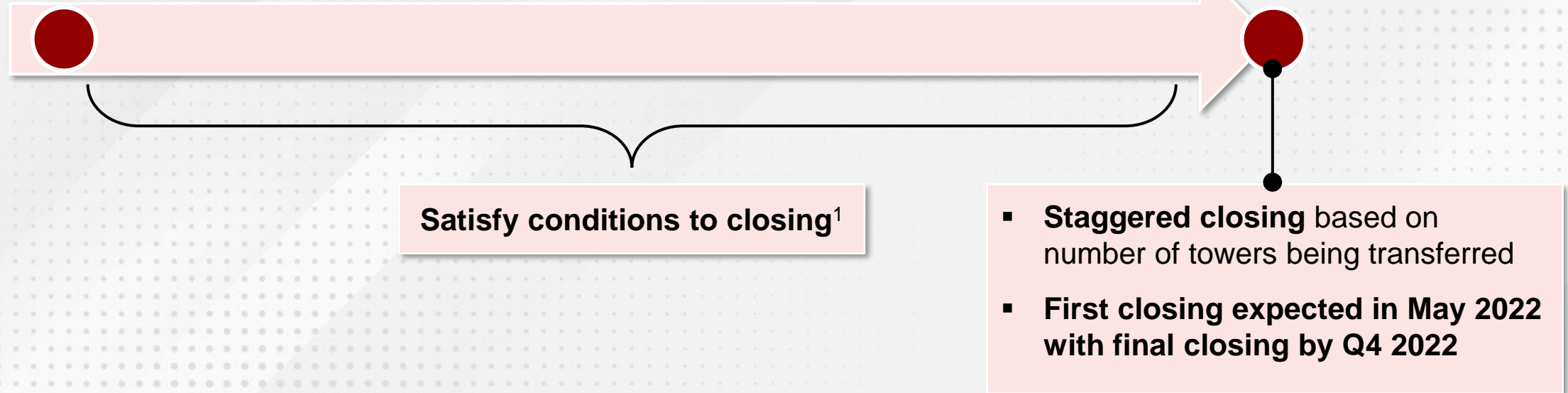
Note:

1. Post tax and transaction expenses

From signing to closing

**Signing
(Today)**

Closing



Note:

1. Landlord consents / land lease renewals

Thank you

Appendix



Sale and leaseback (“SLB”)

- Gain to be recognized by seller-lessee to reflect the amount relating to the rights transferred over the asset to the buyer-lessor.
- Entity first needs to determine the rights retained via the leaseback – as represented by the present value of the lease payments versus the selling price of the asset.
 - The resulting complement from that proportion is equivalent to the rights transferred.
- SLB transactions could be structured with a sale price that is above or below the asset’s fair value and with lease payments that are above or below the market rates (*i.e., off-market terms*).
- Effect of off-market terms are captured by the entity adjusting the fair value of the consideration based on readily determinable amounts (*i.e., comparison of the fair value of the asset versus the selling price OR comparison of the lease rates at market versus the contractual lease payments*).

Accounting impact – balance sheet

Balance sheet impact

(PHP bn)	Pre-sale	Post-sale	Movement
PPE	23.1	-	(23.1)
Right-of-use assets	7.6	17.6	10.0
Cash	-	77.0	77.0
Assets	30.7	94.6	63.9
Lease liabilities	7.8	35.3	27.5
Asset retirement obligation	1.1	-	(1.1)
Liabilities	8.9	35.3	26.4
Net assets	21.8	59.3	37.5

Present value of lease liability to be recognized post-sale at PHP 35.3bn

- Tower assets at PHP 21.2bn
- Land at PHP 14.1bn

ROUA to be recognized at PHP 17.6bn (48% PHP 36.6bn) for rights retained on net assets sold (PHP 22.5bn) and PV of land lease payments (PHP 14.1bn)

Post-sale, assets to increase by PHP 63.9bn and liabilities to increase by PHP 26.4bn

Except for historical financial and operating data and other information in respect of historical matters, the statements contained herein are “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. The words “believe”, “intend”, “plan”, “anticipate”, “continue”, “estimate”, “expect”, “may”, “will” or other similar words are frequently used to indicate these forward looking statements. Any such forward-looking statement is not a guarantee of future performance and involves a number of known and unknown risks, uncertainties and other factors that could cause the actual performance, financial condition or results of operation of PLDT to be materially different from any future performance, financial condition or results of operation implied by such forward-looking statement. Among the factors that could cause actual results to differ from the implied or expected results are those factors discussed under “Risk Factors” in Item 3 in PLDT’s annual report on Form 20-F.

For inquiries, please contact: PLDT INVESTOR RELATIONS
pldt_ir_center@pldt.com.ph

