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CREDIT OPINION
1 March 2024

Update

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RATINGS

First Pacific Company Limited

Domicile	Hong Kong
Long Term Rating	Baa3
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

First Pacific Company Limited

Update following rating affirmation

Summary

First Pacific Company Limited's (First Pacific) Baa3 issuer rating reflects the company's high-quality portfolio with its key businesses holding leading positions in their respective markets. These key businesses have manageable debt levels and a track record of stable earnings, thus providing the company with a steady dividend stream. It has held some of its businesses for more than 15 years.

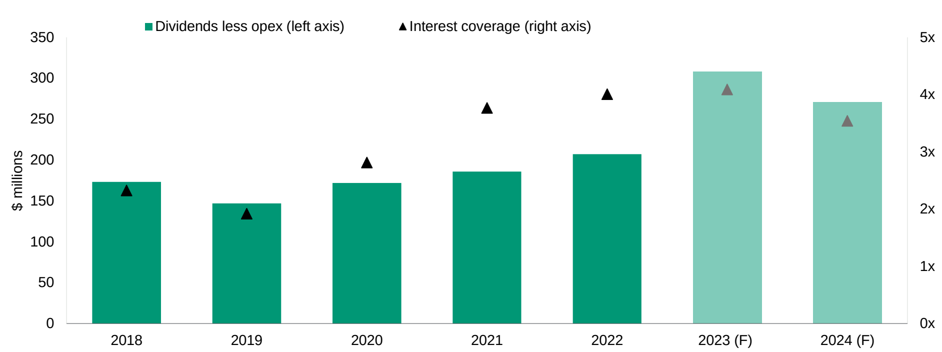
The rating also recognizes the company's reliance on the Indonesian (Baa2 stable) and Philippine (Baa2 stable) economies, which expose it to macroeconomic conditions and regulatory changes. Nonetheless, this risk is mitigated by the portfolio's diversified businesses across telecommunications, consumer food products and infrastructure, which have countercyclical characteristics and low correlation, helping to reduce overall earnings volatility.

In addition, the rating takes into consideration organizational complexity, with cross shareholdings and related-party transactions between group entities, and potential governance considerations arising from its concentrated ownership (45.4%) by Anthoni Salim.

Exhibit 1

Stable earnings of main businesses provide a steady dividend income stream

We expect interest coverage (at the holding company) to be around 3.5x-4.1x



Forecasts do not include potential special dividends from main businesses. Interest coverage is defined as dividend income less operating expenses/interest expense. Moody's projections are Moody's opinion and do not represent the views of the issuer.
Sources: Company filings and Moody's Investors Service

Credit strengths

» High-quality portfolio in industries with countercyclical characteristics

» Leading market positions and stable earnings stream of its main businesses, which provide a steady stream of dividend income

» Disciplined financial management and close supervision of group companies

» Excellent liquidity and good interest coverage at the holding company level

Credit challenges

» Some dependence on the Indonesian and Philippine economies

» Reliance on dividends from subsidiaries and associated companies to service debt at the holding company

» Governance considerations arising from concentrated ownership

Rating outlook

The stable outlook reflects Moody's expectation that First Pacific will maintain adequate liquidity and consistent coverage of interest and operating expenses, with a dividend income less operating expenses to interest expenses ratio of around 3.0x-3.5x. The rating also incorporates the agency's expectation of stable operating performance across the company's core assets and that the company will execute its investment plans prudently, such that there is no material increase in borrowings at the holding company level.

Factors that could lead to an upgrade

An upgrade of First Pacific's rating could be considered if the company maintains a strong standalone financial position with an excellent liquidity profile, and further expands and diversifies its stable dividend income stream, without a material increase in borrowings.

Quantitatively, an upgrade could be considered if First Pacific's dividend coverage, as defined by dividends less operating expenses to interest expense, rises above 4.0x, on a sustained basis at the holding company level.

Factors that could lead to a downgrade

A downgrade of First Pacific could result from the downgrade of one or more of its rated subsidiaries or affiliates, or from a deterioration in First Pacific's standalone financial position with protracted weakness in the group's businesses, resulting in lower dividend income than Moody's expects. Large debt-funded acquisitions or investments or a deterioration in liquidity profile could also add downward ratings pressure.

Quantitatively, Moody's could downgrade the ratings if First Pacific's dividend coverage falls below 3.0x at the holding company level.

Key indicators

Exhibit 2
First Pacific Company Limited
Hold Co Standalone

HoldCo (standalone)	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23 (F)	Dec-24 (F)
Dividend and fee income ($ millions)	203	165	190	204	226	326	289
FFO / Debt	6%	4%	8%	9%	11%	16%	13%
Interest Coverage	2.3x	1.9x	2.8x	3.8x	4.0x	4.1x	3.5x

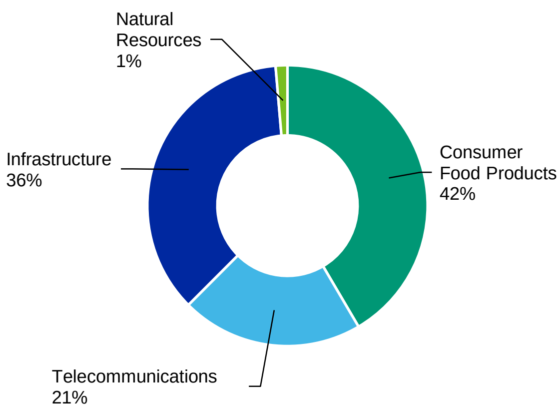
[1] Ratios are based on Moody's-adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] Moody's projections are Moody's opinion and do not represent the views of the issuer. [3] Periods are financial year end, unless indicated. [4] HoldCo interest coverage defined as dividend income less operating expenses/interest expense.
Sources: Company filings and Moody's Investors Service estimates

Profile

The group was founded in May 1981, and First Pacific Company Limited (First Pacific) was incorporated in Bermuda in May 1988 as a limited liability company. First Pacific is an investment holding company based in Hong Kong SAR, China (Aa3 stable), with its principal business interests in Asia-Pacific relating to consumer food products, telecommunications, infrastructure and natural resources (see Exhibit 3 and Exhibit 4).

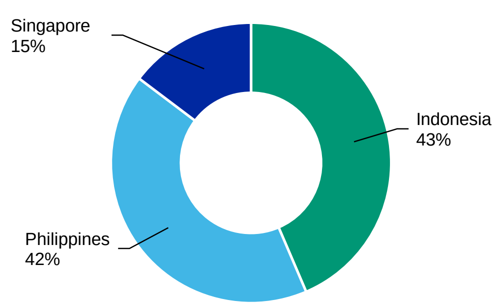
Listed on the Hong Kong Stock Exchange, First Pacific is 45.4% owned by Anthoni Salim. As of 29 February 2024, the company had a market capitalization of around HKD13.4 billion ($1.7 billion).

Exhibit 3
Profit contribution by business segment in LTM June 2023
Total recurring profit of $546 million



Based on First Pacific's reported consolidated results.
Source: Company filings

Exhibit 4
Profit contribution by geography in LTM June 2023
Total recurring profit of $546 million



Based on First Pacific's reported consolidated results.
Source: Company filings

Detailed credit considerations

High-quality and diversified portfolio, with leading market positions

First Pacific's principal businesses relate to consumer food products, telecommunications, infrastructure and natural resources. We view positively the diversification across industries because of the low correlation between them. Please refer to Appendix 1 for a simplified organization chart. The company's principal businesses include the following:

» A direct 50.1% interest in Indofood (INDF), one of the world's largest noodle makers. Its market leadership in instant noodles extends from Indonesia to Saudi Arabia, Egypt, Nigeria and Turkiye through its 80.5% interest in the listed Indofood CBP Sukses Makmur Tbk PT (ICBP, Baa3 positive). INDF is listed on the Indonesian Stock Exchange and had a market capitalization of around $3.8 billion as of 29 February 2024.

» A direct 25.6% interest in PLDT Inc. (PLDT, Baa2 stable), one of the leading telecommunications service providers in the fixed line, wireless and broadband markets in the Philippines with a subscriber share of around 51% and revenue share of 53% as of 30 September 2023. The company is listed on the Philippine Stock Exchange (PSE) and had a market capitalization of around $5.0 billion as of 29 February 2024.

» An effective 46.2% interest in Metro Pacific Investments Corporation (MPIC), one of the largest infrastructure investment management and holding companies in the Philippines. MPIC holds a diverse set of assets with leading market positions — primarily across energy, toll roads and water distribution — and these assets are held through its main operating companies. MPIC has been voluntarily delisted from the PSE in October 2023 and is currently completing a full privatization process.

The group's main businesses (INDF, PLDT and MPIC) have leading market positions in their respective markets. Despite some dependence on the Indonesian and Philippine economies, which expose the companies to macroeconomic conditions and regulatory changes, these businesses are generally in defensive industries, providing a stable level of cash flow through the macroeconomic cycle.

In September 2023, FPC annnounced the voluntary delisting of MPIC after a successful tender offer to buyback most of the shares from its minority public shareholders. The transaction cost for First Pacific was $57 million. Post-delisting, MPIC also announced the issuance of its primary shares in November 2023, which First Pacific also participated and spent $70 million for the share subscription. The transactions were funded by First Pacific's internal cash sources.

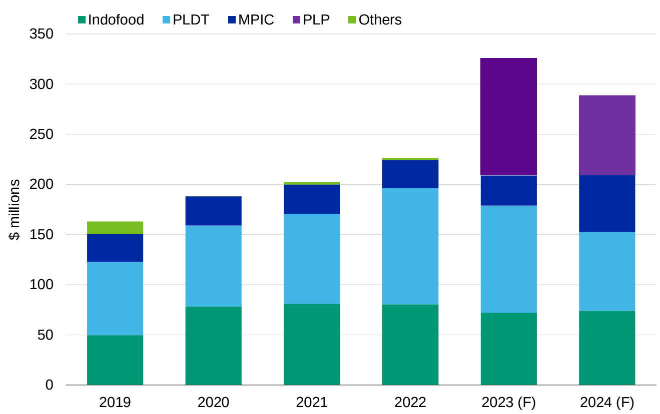
First Pacific still remains the single largest shareholder of MPIC after these transactions were completed. The other key shareholders of MPIC include GT Capital Holdings, Inc. (18.2%), Mit-Pacific Infrastructure Holdings Corporation (14.5%), Government Service Insurance System (11.5%) and MIG Holdings Incorporated (7.1%).

Stable earnings stream of main businesses provides a steady stream of dividend income

INDF, PLDT and MPIC underpin our credit assessment of First Pacific, reflecting their competitive positions, profitable operations and stable earnings. In addition, each has a well-articulated dividend policy, which provides a predictable dividend stream to First Pacific. As the single largest shareholder, First Pacific exercises control or significant influence over these companies' business strategies and financial management, including dividend policy.

Exhibit 5

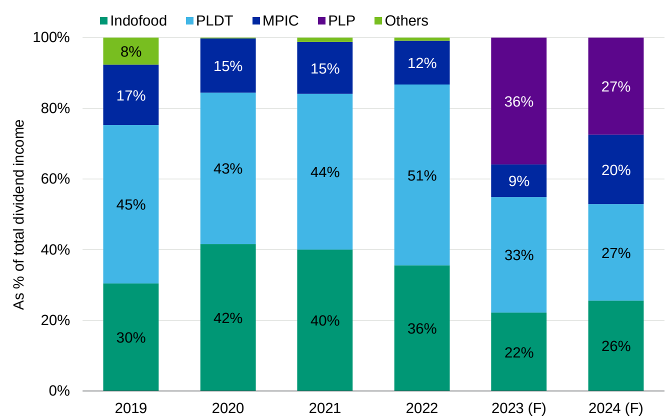
An average of around $250 million of dividend income annually since 2019



Others include primarily Philex and FPW Singapore Holdings.
Source: Company filings

Exhibit 6

PLP contributed to First Pacific's dividend pool for the first time in 2023



Others include primarily Philex and FPW Singapore Holdings.
Source: Company filings

First Pacific received around $4.1 billion in dividends from these companies since its initial date of investment in each company (although nearly 70% was from PLDT alone). First Pacific originally invested in PLDT in November 1998, INDF in September 1999 and MPIC in December 2006. We do not expect First Pacific to reduce its shareholdings significantly from the current levels of 25.6%, 50.1% and 46.2% in PLDT, INDF and MPIC, respectively.

We expect First Pacific to receive an average of around $300 million annually in dividends from its three principal businesses as well as PacificLight Power (PLP). PLP is an electricity power generator and retailer based in Singapore whose profit increased multifold on high electricity tariffs in Singapore. 2023 is the first year in which First Pacific received dividends from PLP.

Weighted average approach points to investment-grade quality

Although First Pacific describes itself as an investment holding company, it has some conglomerate-like characteristics, primarily reflecting the absence of active portfolio rebalancing or recycling, the long hold period (over 15 years) of its main businesses, and the control and significant influence it has over their business and financial strategies.

Our approach to First Pacific's rating considers a balanced view of the credit risk of each main business segment and its overall contribution to the credit quality of the group. This is effectively a weighted sum of the parts approach based on the combined financials and proportionate consolidation of the company's main businesses.

INDF, PLDT and MPIC drive First Pacific's weighted average outcome — on an EBITDA, dividend and asset basis — and support the portfolio's investment-grade-like qualities. We expect the credit quality to be maintained over the next few years because of their defendable leading market positions, stable earnings and manageable debt levels.

ICBP, INDF's largest subsidiary, drives INDF's credit quality because it contributes 68% of EBITDA. Historically, nearly all of INDF's dividend payouts have been driven by ICBP. We expect ICBP's revenue to grow at a compound annual growth rate (CAGR) of around 6% through 2025 while maintaining an EBITDA margin in the 23%-25% range. We expect ICBP to pay out around 45% of net income as dividends, in line with INDF's dividend policy which is set at 25%-50% of net income attributable to owners.

For PLDT, we expect consolidated revenue to grow at a CAGR of around 3.5% through 2025 while maintaining its EBITDA margin around 48%-49%. PLDT's dividend policy is set at 60% of core telecom profit.

As for MPIC, which is an investment holding company, we considered its three main businesses across power, water and toll ways. However, because of the contribution of Manila Electric Company (Meralco) under our combined assessment, it becomes a main driver of First Pacific's credit quality. Meralco has relatively low financial leverage and strong operating cash flow, reflecting its robust operations offset by the delay in its rate setting exercise. Both companies have publicly articulated dividend policies.

Historically, MPIC had a fixed dividend per share (P0.1105 per annum), however following its delisting, the company expects to adopt a dividend payout policy of 30%-35% of core profits. Meralco's is 50% of consolidated core net income (on a lookback basis) and has historically been 60%-80% of consolidated core net income.

Reliance on dividends from subsidiaries and associated companies to service debt at the holding company

In our analysis, we also examine First Pacific on a standalone basis, taking into consideration its holding company status because the company relies on dividend income from its main businesses to service its debt and other cash obligations. As previously outlined, INDF, PLDT and MPIC are the company's key dividend contributors.

First Pacific has around $1.5 billion of debt at the holding company level, which has been used to invest in its portfolio assets, and around $20 million in operating expenses. There are no significant capital spending plans, although we expect the company to continue to invest in its portfolio businesses or related group entities.

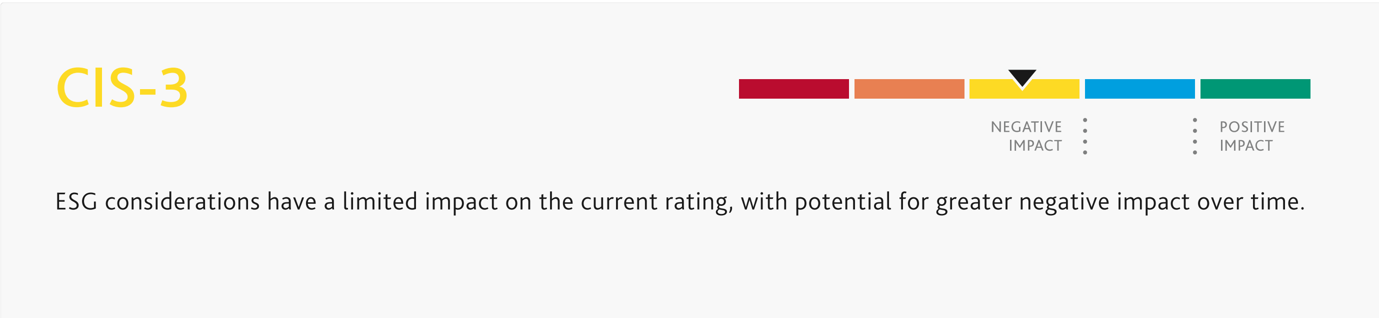
We expect annual dividend income from First Pacific's main businesses to stay stable over the next two years. Amid the higher interest rate environment, First Pacific's net interest expense rose 42% to $34.6 million in the first half of 2023 compared to $24.4 million in the first half of 2022. Moody's expects First Pacific's interest coverage, as measured by dividends less operating expenses to interest expense, at the holding company to be around 3.5x-4.1x over 2023-25. We also expect FFO/debt at the holding company to be around 13%-16%. We use dividends less interest, overheads and tax as proxy for FFO.

We expect the company to manage its cash and cash flow in a prudent manner such that the company's quality and credit metrics do not deteriorate from our expectations. This includes further investments in its portfolio or group-related companies.

ESG considerations

First Pacific Company Limited's ESG credit impact score is CIS-3

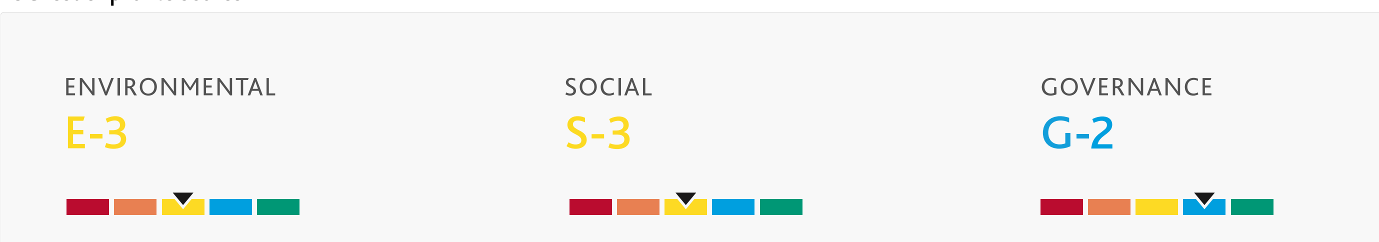
Exhibit 7
ESG credit impact score



Source: Moody's Investors Service

First Pacific's ESG credit impact score of **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. While First Pacific has a track record of prudent financial management and adopts a disciplined approach towards its investment decisions, it is indirectly exposed to environmental and social risks across its principal businesses.

Exhibit 8
ESG issuer profile scores



Source: Moody's Investors Service

Environmental

First Pacific's credit exposure to environmental risk is driven by its presence in the consumer food and power businesses. The consumer food business is reliant on natural capital and exposed to water management risk for the production of its products. It is also exposed to waste and pollution risk because the packaging materials used for its products are often not or cannot be recycled. In addition to the high environmental risks related to carbon transition and waste and pollution, which are inherent in the power sector, the company's power business is exposed to physical climate risk. Its operating assets are concentrated in Philippines, which has high incidence of climate-related shocks, including typhoons and extreme precipitation leading to flooding.

Social

First Pacific's credit exposure to social risk reflects its presence in the telecommunication business, which handles a large amount of customer data, it is exposed to customer relation risk because of potential information security breaches. The risk is mitigated by ongoing investments in its network and cybersecurity and there are no significant cases of breaches in the past few years. At the same time, any negative publicity relating to First Pacific's consumer brands can lead to reputational damage and disrupt its earnings and cash flows. The company's consumer food and power businesses are exposed to health and safety and responsible production risks. Many of First Pacific's businesses are labor intensive which expose the company to human capital risk, but the risk is mitigated by the availability of a large labor force in countries that it operates.

Governance

First Pacific has a track record of prudent financial management with a clearly articulated financial policy that is publicly disclosed. The management team comprised of experienced senior executives who adopt a disciplined approach towards investment decisions; most of them have been with the company for over a decade. Nonetheless, First Pacific has a complex organization structure with cross shareholdings and related-party transactions between various related entities and concentrated ownership of around 45% by Anthoni Salim. The risks are mitigated because First Pacific as well as its principal businesses are listed companies with timely and transparent disclosures. There is also oversight provided by the regulators in their countries of listing. In addition, First Pacific's board comprised five independent non-executive directors with broad professional experience out of a total of 10 directors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

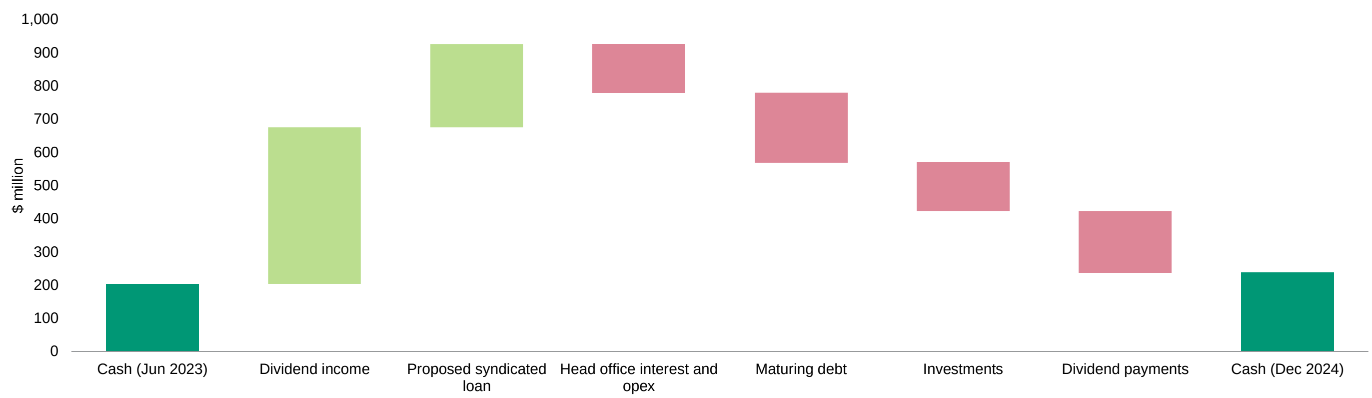
First Pacific's liquidity at the holding company level is excellent. First Pacific has $210 million of bank loans coming due in 2024, the refinancing for which is currently underway. The company is in discussions with banks for a proposed syndicated loan that is fully underwritten.

Given the company's strong banking relationships and access to capital, Moody's believes the refinancing risk is manageable. Pro forma for this refinancing, the company has an excellent liquidity profile.

The new borrowings, together with the holding company's cash of around $204 million as of 30 June 2023 and projected dividend income, will be sufficient to cover its cash outflows through December 2024.

In addition, the company's portfolio of highly liquid listed assets provides additional liquidity sources should the need arise.

Exhibit 9
First Pacific's liquidity position will remain excellent with the proposed syndicated loan



Sources: Company filings and Moody's Investors Service estimates

Structural considerations

First Pacific's Baa3 rating reflects our view that its creditors are not subject to significant structural subordination risks. This is because, despite First Pacific's status as a holding company with most of the group's claims at the operating subsidiary level, the group's diversified business profile with cash flow generation across four unrelated business sectors and industries with low correlation mitigates structural subordination risks. The company's portfolio of liquid and listed assets with a market valuation of $5 billion as of 30 June 2023 will provide additional liquidity sources should the need arise.

Methodology and scorecard

First Pacific operates across several different industries. The principal methodology used to rate First Pacific is our Investment Holding Companies and Conglomerates rating methodology, published in April 2023. We use the applicable industry rating methodology, and a comparison with relevant competitors, to gauge the credit quality of each of First Pacific's three main businesses, represented by PLDT, INDF, and MPIC. The weighted average outcome (based on EBITDA) is Baa2-Baa3.

For PLDT, we used our Telecommunications Service Providers rating methodology, published in November 2023. Please see the respective company page for the detailed rating considerations.

For INDF, which represents the consumer food products business, we consider ICBP to be the key driver of credit quality. For ICBP, we used our Consumer Packaged Goods rating methodology, published in June 2022. The key credit drivers include ICBP's leading market position, strong brand equity, diversified product lines, vertically integrated production chain to support a low-cost base that is counterbalanced by relatively high leverage, exposure to volatile palm oil and wheat prices, increasing stakeholder scrutiny over the ESG risks associated with palm oil production, and largely domestic business.

For MPIC, the company's infrastructure business, we consider Meralco to be the key driver of credit quality. For Meralco, we used our Regulated Electric and Gas Utilities rating methodology, published in June 2017. The key credit drivers include a strong market position, relatively low financial leverage and strong operating cash flow, counterbalanced by the evolving regulatory environment in the Philippines and the company's significant capital spending plans over the next few years.

To complete the MPIC assessment, we used our Privately Managed Toll Roads rating methodology, published in December 2022, for Metro Pacific Tollways Corporation (MPTC). The key credit drivers include its market position, recovering traffics trends, ability to affect rate increases and exposure to the Philippines economy. We used our Regulated Water Utilities rating methodology, published in August 2023, for Maynilad Water Services, Inc. (Maynilad). The key credit drivers include its leading market position, strong financial profile and some uncertainty around its tariff adjustments. These two businesses have little influence on the weighted sum of parts outcome.

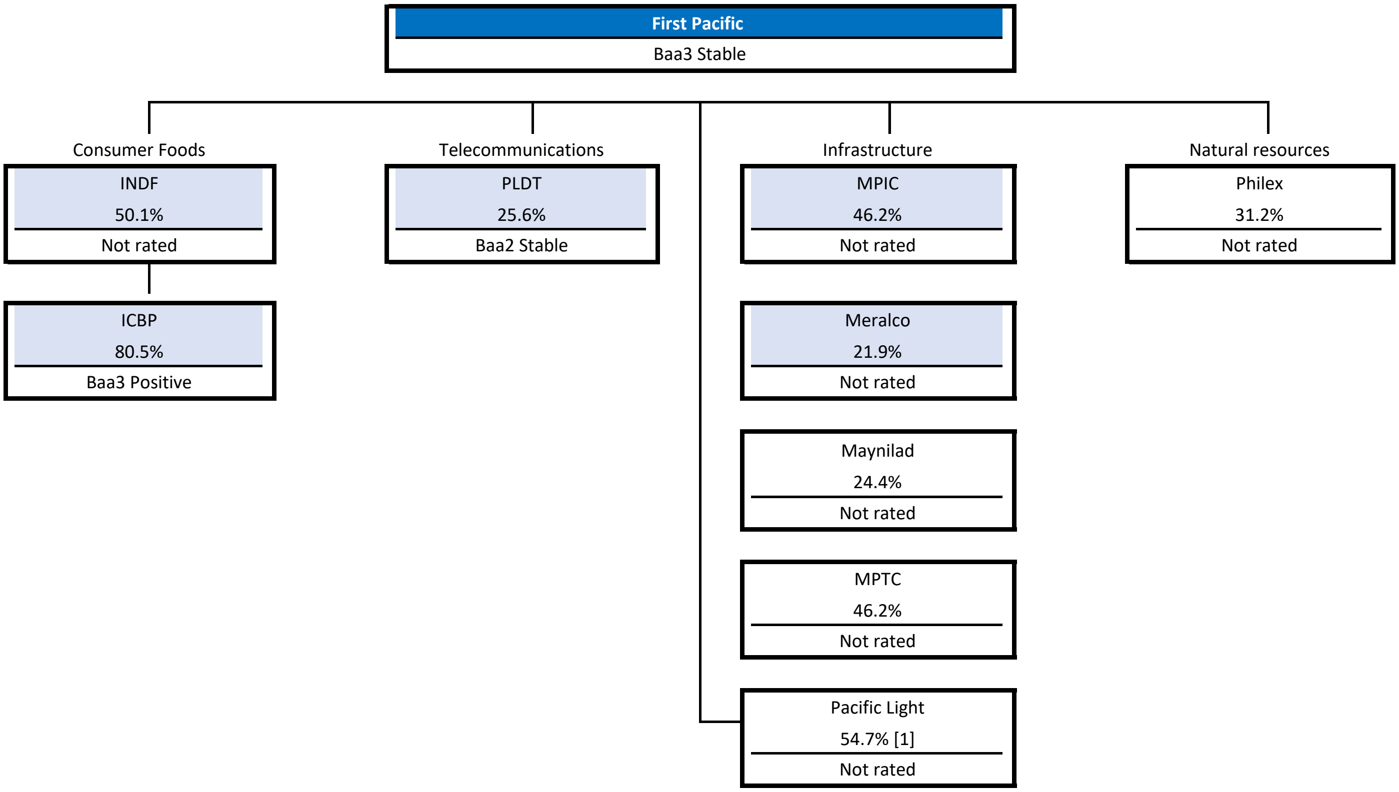
Finally, for Philex, which represents the company's natural resources segment, we used our Mining rating methodology, published in October 2021. The key credit considerations include its exposure to commodity prices, single mine exposure, reliance on exploring and developing new mine reserves, and significant level of maturing debt for which a refinancing plan has not yet been announced. This business also has little influence on the weighted sum of parts outcome.

Appendix 1

Exhibit 10

First Pacific's simplified organizational structure

Moody's simplified view of main businesses



[1] 55.3% represents First Pacific's effective economic interest in Pacific Light. [2] 31.2% excludes the 15% ownership in Philex by Two Rivers Pacific Holdings Corporation, a Philippine affiliate of First Pacific. [3] Organization chart does not include all subsidiaries or associated companies. It provides Moody's simplified view of the company's main businesses only.
Source: Company filings

Ratings

Exhibit 11

Category	Moody's Rating
FIRST PACIFIC COMPANY LIMITED	
Outlook	Stable
Issuer Rating	Baa3

Source: Moody's Investors Service

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CLIENT SERVICES

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