



SLI: Shifting landscapes amidst real estate slowdown

Sta. Lucia Land, Inc (SLI) recorded a -30.55% y/y decrease to P938mn, due to unrealized losses tied to the fair value of its financial assets classified under FVOCI. Revenues likewise slipped by -30.79% y/y to P2.63bn, weighed by a slowdown in real estate sales. This decline stemmed from weaker real estate sales take-up, mirroring the broader industry's sluggish demand during 1Q25.

SLI is gearing up to roll out at least 20 residential projects nationwide, along with a hotel and condotel venture in Baguio City. These new launches will span key growth areas such as Batangas, Bacolod, Iloilo, and parts of Mindanao where the company has recently expanded its landbank. It also plans to unveil sprawling 50-hectare horizontal communities in Silay, Talisay, Iloilo, Mindanao, Rizal, Pangasinan, and the rising tourist haven of Siargao. In Baguio, two vertical developments are in the pipeline—one hotel and a hybrid residential-condotel tower. SLI also aims to start operating its 40k sqm mall in Davao City.

Recent talks around U.S. tariffs have included a proposed increase to 19% for the Philippines, potentially impacting construction material costs and project timelines. However, these challenges could be partially mitigated by the recent rebound in the property sector. According to Colliers' 2Q25 office report, transaction volumes are on the rise driven by steady demand from traditional and outsourcing firms, as well as provincial markets, while vacant spaces are slowing down, indicating enhanced tenant retention. Meanwhile, Leechiu's 2Q25 report highlighted a moderation in residential demand, but new launches are holding steady with 1,761 units introduced to the market.

The July CPI reading of 0.9% reflects a slowdown in inflation, potentially easing some of the cost pressures for SLI. With inflation cooling, consumer confidence and disposable income may gradually improve and revive demand in the real estate market, though it may take some time before these effects fully unfold. Overall, based on SLI's planned real estate and office expansions, as well as easing inflation rates, we are maintaining our BUY recommendation with a target price of P2.85/sh.

Updates, Disclosures & News

- + Last June, SLI made its debut in the SOCCSKSARGEN region with the opening of its first sales office in General Santos City—its sixth branch in Mindanao. The milestone was celebrated on June 14 with a ceremonial blessing and ribbon-cutting event
- + SLI's 1PLMC officially opened its newest office in Manaoag, Pangasinan last May, marking the debut of the town's very first lakeside residential community.
- + SLI has established around 33 projects in the Cavite province, consisting of major golf communities, residential communities, and townhouse developments.

BUY

+

Continuous horizontal and vertical development plans;
Gradual recovery of the local property sector;
Increased capex for ongoing projects;

-

Weaker real estate sales;
Low dividend payout;

FAIR VALUE

P2.85

STA.LUCIA LAND INC.

Sta. Lucia Land, Inc. (SLI)'s portfolio consists of horizontal and vertical properties across the country, as well as a shopping mall in Cainta, Rizal named Sta. Lucia Mall. The Company's clients comprise of families, overseas Filipino workers, foreign investors, retirees, young urban professionals, and newly-married couples, among others.

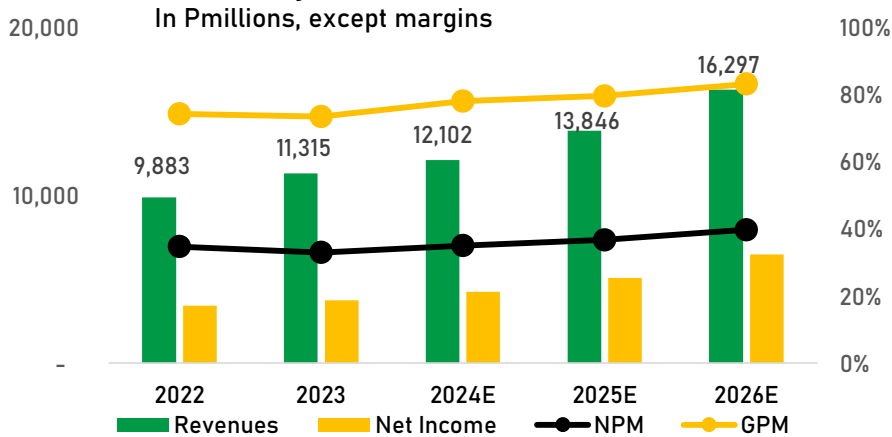
Stock Information

Last Price	P2.60
Performance (YTD)	-18.30%
52-week range	P2.20-P3.15
Beta	0.55
Outstanding Shares	8.30bn
Market Capitalization	P21.49bn
Free Float Level	19.21%
Par Value	P1.00
Sector	Property
Subsector	Property
Major stakeholders	Sta. Lucia Realty & Dev't Corp. 80.77%
Fiscal Year	Dec. 31
Previous Rating	Oct 2024 Buy P5.27
Board of Directors	
Chairman	Vicente R. Santos Exequiel D. Robles Antonio D. Robles Aurora D. Robles
Directors	Mariza Santos-Tan Orestes R. Santos Simeon S. Cua
Independent Directors	Renato C. Francisco Danilo A. Antonio
RCDC Research	
Alexandra G. Yatco agyatco@reginacapital.com	



Sluggish real estate demand. SLI's bottomline was increasingly dampened by slow demand for real estate, coupled with rising costs associated with rental income. This uptick in expenses was mainly driven by higher maintenance and operational costs necessary to maintain their properties.

SLI Profitability (2022-2026E)



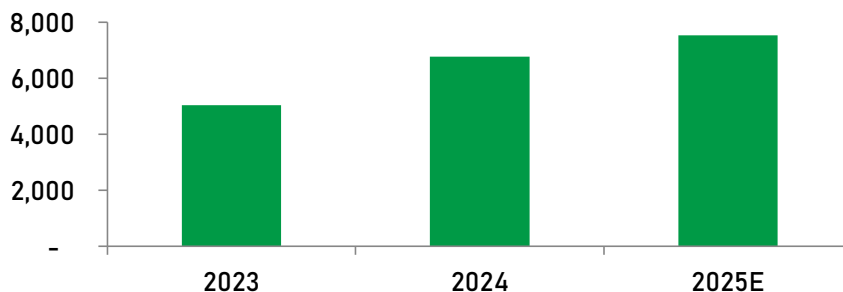
Real estate inventories saw a modest +1% increase, fueled by significant capital investment aimed at fast-tracking project developments and launches. Meanwhile, investment properties dipped by -0.21%, with the final phase of Sta. Lucia Mall Davao's construction anticipated to wrap up later this year.

CAPEX. Looking forward, SLI plans to allocate P3bn-P5bn for capex, with a portion earmarked for land acquisitions in key regions such as Laguna, Batangas, Bulacan, Davao, and South Cotabato. Additionally, SLI plans to pursue JV agreements in Cavite, Iloilo, and Davao to develop adjoining properties and expand ongoing projects.

As of end-2024, SLI successfully transformed over 12,000-ha into more than 300 projects across 70 cities and municipalities.

SLI Capital Expenditure (2023-2025E)

In Pmillions



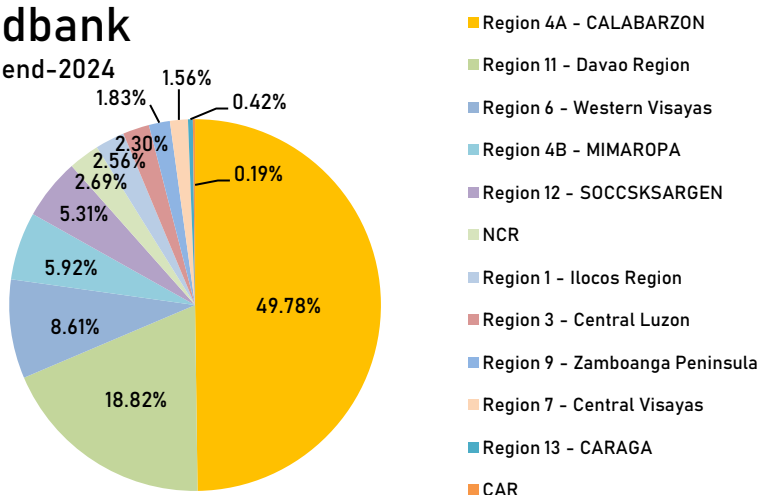


Ongoing project developments. As of May 2025, SLI remains dedicated to its expansion strategy, with over 300 active projects spanning 12,000 hectares across 15 provinces and 10 regions. These initiatives include residential developments in areas like Laguna and Batangas in Southern Tagalog, alongside a focus on themed residences in Manaoag, Pangasinan. Additionally, the company is working on a retail hub, the Sta. Lucia Mall, in Davao City.

The company recently launched its latest sales office in General Santos City, marking its inaugural branch in the SOCCSKSARGEN region and its sixth in Mindanao. SLI's real estate presence in Mindanao continues to grow, with developments like Colinas Verdes, a meticulously planned residential community in General Santos, leading the charge.

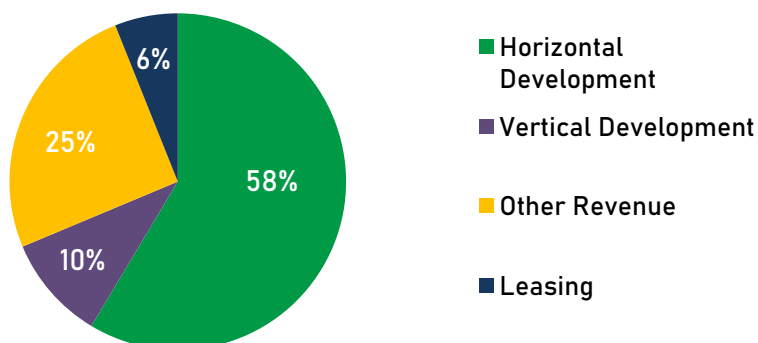
Landbank

as of end-2024



Revenue breakdown. As of end-2024, the chunk of SLI's revenue contributions remained its horizontal development segment, which accounted for 58% of total revenues. Other revenue followed at 25%, with vertical development contributing 10%, and leasing bringing in 6%. This marked a subtle shift from the firm's 2023 revenue mix, where horizontal development had a larger share at 64%, other revenue stood at 18%, vertical development at 11% and leasing at 7%.

Revenue Contribution Per Segment (end-2024)





Ratios	2022	2023	2024E	2025E	2026E
Return on Equity	15.93%	15.07%	14.96%	15.54%	16.82%
Earnings per Share	0.42	0.45	0.51	0.62	0.79
Profit Margin	34.74%	33%	35.03%	36.69%	39.70%
Asset Turnover	0.17	0.18	0.18	0.18	0.20
Return on Assets	5.98%	6.03%	6.23%	6.74%	7.78%
Assets to Equity	2.49	2.33	2.26	2.14	1.99
Price to Earnings	7.76	7.56	5.67	4.76	3.74
Price to Book Value	1.24	1.14	0.85	0.74	0.63
Net Book Value per share	2.81	3.20	3.63	3.68	3.41
Dividend Yield	1.23%	1.18%	1.38%	1.42%	1.49%

- As SLI moves forward with its residential expansion projects and new joint venture agreements, its ROE ratios are projected to see notable growth in the coming years
- EPS is also estimated to increase accordingly, as the firm's project developments continue to stay on course, likely driving higher earnings
- Additional revenue streams from both horizontal and vertical developments, coupled with early signs of property recovery in the residential and office segments, are likely to boost profit margins favorably.
- While US tariffs could impact construction material costs and extend timelines for infrastructure projects, SLI's ongoing expansion initiatives and strategic partnerships may help mitigate these effects.

Key Financial Data in PhP millions	2025E
Ave Total Assets	71,721
Ave Total Debt	39,028
Ave Total Equity	32,694
Net Income After Tax*	5,080
Interest Expense	2,266
Asset Income	7,347
Debt/Equity	1.19
Cost of Debt	5.81%

*Does not include Comprehensive Income

**Asset Income = NIAT+ Interest Expense

Limlingan Financial Model(C)

$$ROE = ROA + D/E * (ROA - \text{Cost of Debt})$$

LFM Inputs	2025E
Return on Assets	10.24%
Debt/Equity	1.19
Cost of Debt	5.81%
ROA - CD	4.44%
Return on Equity	15.54%

Case 1: Improve Efficiency 20%

Return on Assets	12.29%
Debt/Equity	1.19
Cost of Debt	5.81%
ROA - CD	6.49%
Return on Equity	20.03%

Case 2: Increase Leverage 20%

Return on Assets	10.24%
Debt/Equity	1.43
Cost of Debt	5.81%
ROA - CD	4.44%
Return on Equity	16.60%

Case 3: Lower Cost of Debt 20%

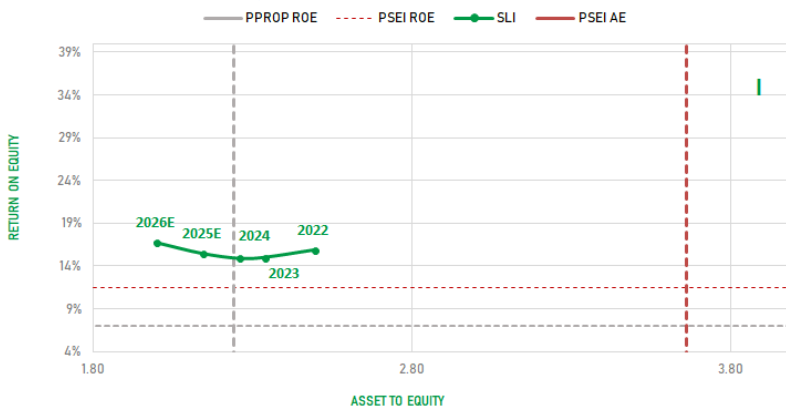
Return on Assets	10.24%
Debt/Equity	1.19
Cost of Debt	4.65%
ROA - CD	5.60%
Return on Equity	16.93%

Highlighted items denote changed inputs

** In this model, $ROA = \frac{\text{Asset Income}}{\text{Ave. Total Assets}}$



ISOQUANT 1: Financial Performance



Leverage vs. Profitability

- SLI's current lineup of residential developments and partnerships may result in increasing ROE across the following years
- The firm's ROE can be considered to be higher than both the local bourse and the industry 3-year averages
- SLI can be found in the first quadrant of our isoquant, indicating that SLI is operating with higher returns and lower financial risk

Legend:

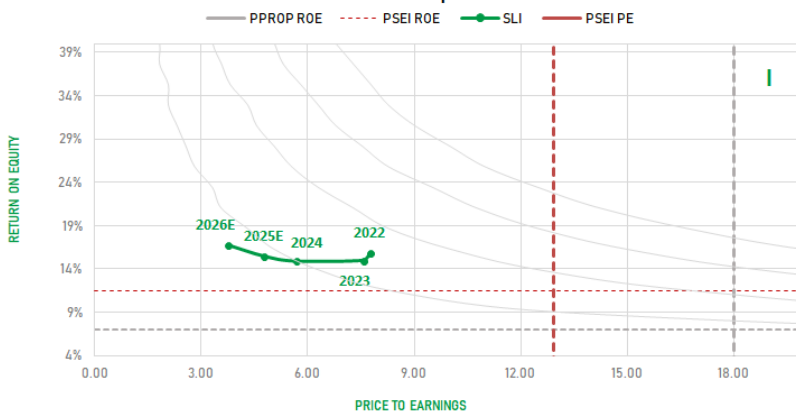
I - Higher Returns,
Lower Financial
Risk

IV - Higher Returns,
Higher Financial
Risk

II - Lower Returns,
Lower Financial
Risk

III - Lower Returns,
Higher Financial
Risk

ISOQUANT 2: Valuation Isoquants



Perception vs. Profitability

- SLI's P/E ratio stands below both the industry and index averages over the past 3 years
- A dip in P/E is estimated, driven by the slow rebound of the property sector, as well as a potential increase in construction material costs due to the proposed US tariffs
- The stock is positioned in the first quadrant of our isoquant, which entails that it's undervalued

Legend:

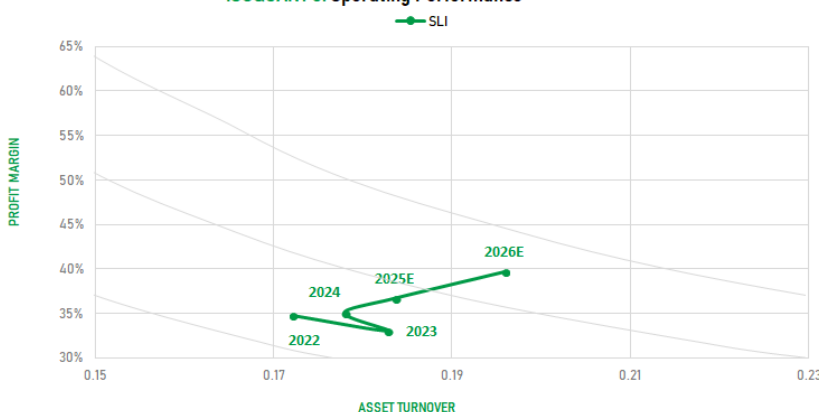
I - Undervalued

IV - Fairly valued

II - Fairly valued

III - Overpriced

ISOQUANT 3: Operating Performance



Efficiency vs. Profitability

- Considering SLI's capital-intensive model and lineup of several long-term projects, its asset turnover ratios are modestly trailing the 3-year index average
- Profit margins are expected to improve in the coming years, driven by SLI's portfolio of residential and commercial developments



SLI: Subtle rebound amidst market consolidation



Daily chart as of August 5, 2025

After last week closed in the red, SLI has been making a gradual rebound, posting a +0.39% intraday gain. The MACD shows short and light histograms, as market consolidating continues, hinting at investor uncertainty. The stock has risen into neutral territory, as evidenced by its RSI position. Meanwhile, the ADX exhibits skyrocketing momentum, with the -DI surging as well. Given this, investors may consider exercising caution and waiting for clearer signals to emerge.

Hold

Support: 2.58

Resistance: 2.62



Recommendation Guide

Expected Performance within 1 year

BUY	The stock is a bargain relative to the PSEi or its peers; the stock has significant long-term upside	Projected Gain > 10%
HOLD	Neutral; the company's fundamentals are good, but interested buyers should wait and consider buying other stocks with better upside.	+/- 10%
SELL	Take profits or cut losses; the stock does not have much upside so investors should close their position and look for bargains.	Projected Loss > 10%

Financial Ratios

Return on Equity	Shows how much profit a company generates with the money its shareholders have invested.
Earnings per share	The portion of a company's profits allocated to each outstanding share of common stock.
Profit Margin	Measures how much earnings a company actually keeps after expenses.
Asset Turnover	The amount of sales generated for every peso of assets
Return on Assets	Reflects a company's efficiency at using its assets to generate earnings.
Asset to Equity	Shows the company's financial leverage. It is an indicator of the overall financial stability of a company. An indicator of a firm's financial stability; It calculates the odds that a company will become bankrupt.
Altman's Z-Score	If: $Z > 3.0$, Safe Zone; $1.80 < Z < 3.0$, "Grey" Zone; $Z < 1.80$, Distress Zone (high likelihood of bankruptcy)
Price to Earnings	Reflects how much investors are willing to pay per dollar of earnings.
Price to Book	Reflects how many times book value investors are willing to pay for a share of the company.
Graham Multiplier	P/E Ratio x P/B Ratio; Benjamin Graham prefers companies that have a Graham Multiplier below 22.5
Book Value per share	A per share estimation of the minimum value of a company's equity.
Dividend Yield	Shows how much a company pays out in dividends relative to its share price.

Technical Analysis Term/s

Fibonacci Retracement	Potential retracement of a security's original move in price. It uses horizontal lines to indicate key areas of support or resistance (23.6%, 38.2%, 50%, 61.8% and 100%).
-----------------------	--

Limlingan Model: $ROE = ROA + D/E * (ROA - CD)$

Basic Assumptions:

ROE = Return on Equity
ROA = Return on Assets*
D/E = Debt to Equity
CD = Cost of Debt

If $ROA > CD$, then $ROE > ROA$
If $ROA < CD$, then $ROE < ROA$

*using Asset Income

Can be used to undertake the following financial analyses:

- Pinpoint areas of weak and strong financial management
- Answers 'what if' in terms of the impact of the ROE
- Prepare financial plans which start with the ROE targets and end with specific, financial targets such as maintaining operating expenses and leverage
- Better assign areas of responsibilities to financial officers
- Create 'equity centers' where general managers have both asset and debt management responsibilities

CEO

Maximize ROE for its shareholders

COO

Improve ROE through operational efficiency or ROA

CFO

Improve ROE by maximizing debt (reduce leverage or cost of debt)

Disclaimer: The material contained in this publication is for information purposes only. It is not to be reproduced or copied or made available to others. Under no circumstances it is to be considered as an offer to sell or a solicitation to buy any security. While the information herein is from sources we believe reliable, we do not represent that it is accurate or complete and it should not be relied upon as such. In addition, we shall not be responsible for amending, correcting or updating any information or opinions contained herein. Some of the views expressed in this report are not necessarily opinions of **Regina Capital Development Corporation**.



HEAD OFFICE

Suite 806, Tower I, PSE Plaza
Ayala Ave., Ayala Triangle,
Makati City, Metro Manila

Backroom(+63) 2 848 5482 to 84
Fax (+63) 2 848 5482

Trading Floor (+63) 2 891 9413 to 17
Available from 9:30 am to 12:00 pm, and 1:30 to 3:30 pm only.

www.reginacapital.com
rcdc@reginacapital.com

LOCATIONS WITHIN METRO MANILA**PASIG**

Unit 1242 Megaplaza Building,
ADB Ave. cor. Garnet St.,
Ortigas Center, Pasig City

(+63) 2 584 0951

Manuel Luis Zialcita, Branch Head
mzialcita@reginacapital.com

GREENHILLS

512-B Tower 2 Lee Gardens
Condominium, Lee St. cor. Shaw
Blvd., Mandaluyong City

(+63) 2 584 0951 and 661 6508

Giok Hon Gotua, Branch Head
ggotua@reginacapital.com

OUTSIDE METRO MANILA**ILOILO**

2F B&C Square Bldg., Iznart St.,
Iloilo City

(+63) 33 336 8140

Joseph Kuan Ken, Branch Head
lloilo@reginacapital.com

CAGAYAN DE ORO

GF Wadhu's Bldg., JR Borja St.,
Cagayan de Oro City

(+63) 8822 721 617

Romero Geroy, Jr., Branch Head
cdo@reginacapital.com

BAGUIO

Unit 701 Jose De Leon Center,
Session Rd., Baguio City

(+63) 74 446 9338

Rowena Tabanda, Branch Head
baguio@reginacapital.com
