CONVERGE ICT SOLUTIONS INC.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. November 10, 2023
   Date of Report (Date of earliest event reported)

2. SEC Identification Number CS200716094
3. BIR Tax Identification No. 006-895-049-000

4. Converge Information and Communications Technology Solutions, Inc.
   Exact name of issuer as specified in its charter

5. Metro Manila, Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. New Street Building, Mc Arthur Highway, Balibago, Angeles City, Pampanga 2009
   Address of principal office Postal Code

8. (02) 8667-0888
   Issuer's telephone number, including area code

9. N/A
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	7,266,573,061
Fixed Rate Bonds	10,000,000,000

11. Indicate the item numbers reported herein: Item 9. Other events

CONVERGE SURPASSES THE TWO MILLION SUBSCRIBER MILESTONE SUPPORTED BY CONTINUING GROWTH ACROSS ALL PACKAGES

3Q2023 CONSOLIDATED RESIDENTIAL NET ADDS OF 78,623 REPRESENTING ALMOST 60% GROWTH OVER THE PREVIOUS QUARTER'S NET ADDS

SUSTAINED INDUSTRY-LEADING CONSOLIDATED REVENUE GROWTH FOR 9M2023 AT 7.2% YOY; EBITDA MARGIN ENDED AT 57.7% AND ROIC AT 15.4%

<u>9M2023 Key Highlights</u>

- **Converge registered consolidated revenues of ₱26.2Bn for 9M2023, higher by 7.2% from 9M2022**
- **9M2023 Residential revenues grew 5.2% YoY with net additional subscribers reaching 170,925**
- **Enterprise revenues reached ₱3.8Bn in the first nine months of the year, a growth of 21.1% YoY**
- **EBITDA grew 4.9% to ₱15.1Bn with margin ending at 57.7% for 9M2023**
- **9M2023 net income after tax increased by 4.3% from 9M2022 to reach ₱6.4 Bn representing net income margin of 24.3%**
- **Consolidated residential net additions for the quarter reached a total of 78,623 – highest quarterly net additions since reinstating upfront fees in June 2022**
- **Similarly, consolidated residential gross additions for 3Q2023 reached an eight-quarter high of 225,134**
- **Demand for FiberX increased to 166,103 gross adds for 3Q2023 – the highest in six quarters**
- **Maintained industry-leading ROIC at 15.4% for the nine months**
- **Moderate gearing levels supported by ample liquidity with net debt-to-equity at 0.5x and debt-service-coverage at 3.6x – comfortably within financial covenants**

MANILA, Philippines, November 10, 2023 **–** The Philippines' only pure-play high-speed fixed broadband operator, Converge Information and Communications Technology Solutions, Inc. (PSE: CNVRG) ("**Converge**" or the "Company") ended the third quarter of 2023 with a total of 2,048,286 subscribers. This is comprised of 1,966,105 postpaid subscribers and 82,181 prepaid subscribers. Net additional subscribers reached 170,925 in the first nine months, 78,623 of which came from the third quarter alone. In 3Q2023, FiberX contributed 35,214 in net adds while Surf2Sawa's net adds amounted to 28,020. Meanwhile, Bida Fiber garnered 23,895 in net adds just one month after its official launch.

Converge remains optimistic about the Company's overall growth trajectory. Its residential business continues its industry leading growth in consolidated subscriber net adds. FiberX takeup has been steadily increasing while the new brands, Bida Fiber and Surf2Sawa, continue their growth momentum. Once households are offered the appropriate plan for their respective incomes, churn is expected to go down to manageable levels in the medium to long term. Enterprise business also poses opportunities for growth in the coming years with the expected completion of the international subsea cable systems Bifrost and SEA-H2X, potential edge computing data center expansion, and potential strategic collaborations with industry leaders in the digital field.

Residential Subscriber Base Breaches the Two Million Milestone Supported by Continuing Growth Across All Packages

Industry-Leading Revenue and Subscriber Growth Maintained; Two-Year High Quarterly Gross Adds

Consolidated revenues grew by 7.2% in 9M2023 to ₱26.2Bn from ₱24.5Bn in 9M2022 – cementing the Company's position as the fastest-growing fixed broadband service provider among the top players in the Philippines. Residential business grew by 5.2% from ₱21.4Bn to ₱22.5Bn during the same period

– representing 85.6% of consolidated revenues for the first nine months of 2023. Enterprise revenues increased by 21.1% in 9M2023 to ₱3.8Bn from ₱3.1Bn owing to the double-digit growths across all enterprise segments with the small and medium enterprise ("SME") segment growing as much as 37.9% from the same period last year.

During the third quarter of 2023, there has been a resurgence of demand in the Company's products as its consolidated residential gross adds for the quarter soared to 225,134, growing by 82.1% YoY and 33.8% from the previous quarter. This represents the highest quarterly gross adds in the past eight quarters. As a testament to the intact demand for FiberX, gross adds grew from 133,110 in 2Q2023 to 166,103 in 3Q2023 – the highest quarterly gross adds it registered in six quarters.

Converge increased its residential subscriber base by 78,623 net adds in 3Q2023, as a result of the growth momentum of Bida Fiber and Surf2Sawa and the resurgence of demand for FiberX. FiberX contributed 35,214 in net adds in 3Q2023. This is the highest quarterly net adds for FiberX since 1Q2022 which was the quarter before the Company reinstated its policy on upfront fees for new subscribers. Meanwhile, Surf2Sawa's net adds amounted to 28,020 and Bida Fiber garnered 23,895 net adds in the quarter.

Surf2Sawa sustained its subscriber base growth at 51.7% QoQ and ended the quarter with 82,181 total subscriber base. FiberX and Bida Fiber ended the quarter with 1,766,676 and 34,130 subscribers, respectively.

Strategic Churn Management to Address the Effects of the Current Economic Conditions and Mitigate Possible Risks

In the third quarter of 2023, the Company continued to experience heightened levels of churn that can be largely attributed to the extended period of heightened inflation in the country. Inflation has remained elevated with consecutive upticks in the last two months of the quarter which affected people's spending capabilities. To address this, the Company strategically offers its customers plans from its wide range of products that would best suit their needs and budgetary constraints. The Company expects that long term churn would improve as subscribers no longer need to stretch their budget to afford plans that are out of their comfort.

Apart from the macro-economic factors, the Company is also monitoring the risk of churns from subscribers whose lock-in periods have already lapsed. To mitigate possible risks of churn, the Company actively cross-sells value-added services, such as Wi-Fi 6, to existing customers to encourage relocking in of their contracts. Moreover, the Company has been relentlessly improving its customer experience through the use of customer profile analytics, which leverages on collected data to come up with actionable insights in the Company's operations. The Company's Network Intelligence and Automation Platform (NIAP) also ensures that service interruptions to customers are significantly reduced, and outages are resolved at a faster pace.

"*We're implementing a data-driven and technology-enabled approach to take care of our customers, and Salesforce helps us to do this. We are able to respond quicker, smarter, and more intuitively to customer concerns particularly in social media.*" said Converge Chief Strategy Officer Benjamin Rex Azada on the Company's use of customer profile analytics.

"*With this new and intelligent operating model driven by AI, the processing time of network faults and the cost of operations, as well as human errors, can be effectively controlled. In the future, we are looking forward to using AI to provide proactive advisory services to our customers. This will definitely give our customers a better experience which has always been our top goal,*" said Converge Chief Network Transformation Officer Paulo Martin Santos about the Company's NIAP.

Converge constantly looks for ways to leverage technology to improve its customers' daily experience with reliability being one of the focus points.

EBITDA Grows at a Steady Pace
The Company's EBITDA continues its stable growth at 4.9% to ₱15.1Bn in 9M2023 from last year's ₱14.4Bn. Consolidated EBITDA margin remained stable at 57.7% in 9M2023.

Compared with 9M2022, network materials and supplies costs in 9M2023 decreased by 88.5%. This is due to an improved capability to properly segregate costs of network materials and supplies according to usage. As such, network materials and supplies used in 9M2023 for last mile connections were deferred and amortized over the contract period with the subscriber.

Additionally, as a result of Converge continuing to draw down on its international capacity from the Telstra Indefeasible Right of Use contract, bandwidth and leased line costs decreased by 34.9% YoY, resulting in a corresponding decrease in cost margin from 3.1% to 1.9% over the same period. Amortization of deferred contract costs also declined by 13.4% due to the full recognition of the unamortized portion for churned accounts starting in 4Q2022. With increased operating leverage and transition to a managed services model in certain operating areas, Converge was also able to reduce the cost margin of total personnel costs from 6.5% in 9M2022 to 5.8% in 9M2023. Correspondingly, Managed Service Fees increased from 3.1% cost margin to 5.6% in the same comparative period. Rent and utilities expenses both grew due to the network expansion of our serviceable areas. These pertain to the rental of poles in new serviced areas, as well as electricity costs for new nodes installed, respectively.

Industry-Leading ROIC and Strong Balance Sheet
The Company maintained its industry-leading Return on Invested Capital ("ROIC") at 15.4%, As the Company further scales up its flanker brands, it expects ROIC to further improve as more ports are utilized. This performance is a result of the Company's disciplined approach in deploying capital to expand its fiber network and improve its overall services.

Depreciation and amortization continue its decrease from ₱4.7Bn in 9M2022 to ₱4.5Bn in 9M2023. Net income after tax grew from ₱6.1Bn in 9M2022 to ₱6.4Bn in 9M2023, resulting in a net income margin of 24% for 9M2023.

Converge has been able to maintain its strong balance sheet and cash flows with ample liquidity and gearing comfortably within bank covenants. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) decreased from ₱26.3Bn as of June 30, 2023, to ₱23.1Bn as of September 30, 2023. The Company repaid a portion of its financial debt, reducing the balance to ₱36.2Bn as of September 30, 2023, from ₱37.5Bn as of June 30, 2023. The Company's debt service coverage ratio ("DSCR") was 3.6x and the net debt-to-total equity was at 0.5x, well within the required financial covenants from its debt facilities. The weighted average cost of debt from drawn debt facilities remained at 5.1% as of September 2023.

Total cash CAPEX as of 9M2023 amounted to ₱ 5.2Bn. This amount includes 895,712 ports deployed during the nine months ended September 2023.

Offering a Full Range of Products Best Suited for Every Subscribers' Needs and Income Levels

With the official launch of Bida Fiber in August, Converge takes another big step towards its aim of leaving no one behind by having a full range of products to serve its diverse residential target market with various income levels. At ₱888 a month, Bida Fiber offers up to 35 Mbps of unlimited fiber connectivity to budget-conscious consumers. Bida Fiber is currently one of its kind in the market – sitting comfortably in its niche of being significantly more affordable than any other postpaid fiber plans in the market but also offering faster speed than the prepaid fiber options.

Earlier in March, the Company first introduced a prepaid fiber product to the market, Surf2Sawa, which allows its customers to have the ultimate flexibility of availing unlimited fiber connectivity on a whenneeded and as-needed basis. Surf2Sawa lets users enjoy up to 25 Mbps of unlimited Fiber connectivity with multiple top up options at unmatched price points ranging from just ₱50 for 1 day up to ₱700 pesos for 30 days.

Bida Fiber and Surf2Sawa, combined, aim to target 17 million untapped households in the country which represents over 77% of the overall market for fixed broadband. Despite the lower average revenues per unit ("ARPU") for the two low-cost products, the Company still expects both products' payback periods to be well below one year and relatively close to FiberX's.

The Company carefully segmented these two products to only attract its intended target market with minimal to no effect on existing and potential FiberX subscribers. Both Bida Fiber and Surf2Sawa use Wi-Fi only modems that can simultaneously connect up to 6 devices only. The difference in speed between FiberX and the two low-cost brands also provides FiberX subscribers the best value proposition as they are getting almost 6 times faster speeds for only 70% additional cost. In addition, the Company has also implemented targeted marketing and sales efforts for both Bida Fiber and Surf2Sawa such that the Company's partners and distributors can only sell these two products in selected areas where the target market of these two products are present.

As Surf2Sawa starts to scale up, the Company has established a churn policy for the prepaid product. Specifically for Surf2Sawa, the Company would consider a subscriber to have churned if they did not top up for a total of 90 days, counting from the day after their last top-up plan had ended. On the 60-day mark, the Company would start to consider the customer as dormant. At which point, the subscriber would have to pay a ₱500 reconnection fee to be able to top up and avail of broadband services again. The Company would only consider them to have churned if they did not top for another 30 days after being considered dormant.

Converge Introduces BlastTV As a Free Value-Add Services to All Residential Subscribers

Converge announced that all residential subscribers have free access to BlastTV, a streaming TV service owned and operated by Tap Digital Media Ventures (TapDMV). Converge and TapDMV unveiled their collaboration at an official press event on August 8, 2023. The event revealed BlastTV's wide range of genre-based entertainment channels, such as Blast Action, Laff, Crime TV, Talk Shows, Blast Cinema, Fear, Family Movies, Reality TV, Comic U, Showcase Drama, and Game Show Central, as well as Video on Demand and catch-up content available to watch on the viewer's own time.

BlastTV's other global content partners include NBCUniversal, Paramount Pictures, Sony Pictures, MGM Television, and Lionsgate. BlastTV is available to every Converge residential subscriber as a complementary value-added service indefinitely under the first in the market "Watch Now, Pay Zero" initiative.

Converge aims to improve customer stickiness with this free add-on service. The Company is not expected to incur any material operational or capital expenditures in this collaboration.

Expanding the Company's Wholesale Footprint in the Region through Converge Singapore

Converge Singapore, the international unit of Converge, is now operational and fully geared up to service enterprise customers in the region. Through its global subsidiary, Converge offers a variety of international connectivity services, such as Ethernet-International Private Line service, Dedicated Internet Access service, and submarine cable capacities, among others.

The Company expects both of its subsea cable systems, Bifrost Cable System and the South-East Asia Hainan-Hong Kong Express Cable System ("SEA-H2X"), to be completed and operational by the latter half of 2024. These two subsea cable systems and the Company's Singaporean office are expected to open a lot of growth opportunities for the Company's wholesale business as supply for international bandwidth remains thin.

To this end, Converge recently onboarded technology sales strategist Victor Koh to lead Converge Singapore as General Manager and Head of International and Wholesale Sales. With over 30 years of experience in the information technology and telecommunication industry, he will be responsible for managing Converge Singapore's operations while driving revenue growth by extending connectivity services and fiber optic capacity to international markets.

Converge Makes Leaps in Corporate Governance, Garners Three Arrows in ASEAN Corporate Governance Scorecard

Converge has been awarded a Three-Arrow rating in the latest ASEAN Corporate Governance Scorecard (ACGS) review held last September 28, 2023, as it improved its adherence to corporate governance best practices and aligned its business operations to global standards.

This Three-Arrow rating is a marked improvement over the initial One-Arrow awarded to Converge during the ACGS Golden Arrow Awards held last January, showing a substantial advancement in corporate governance compliance. For the period under review of 2021, Converge has become fully compliant with the Integrated Annual Corporate Governance Report of the Securities and Exchange Commission, thus earning the additional two stars. The company's appointment of a female director has also contributed to its Gender and Diversity record, which forms part of the best practices for publicly listed companies.

Converge Reaffirms its Commitment to Sustainability with Improved Environment, Social, and Corporate Governance Ratings

Converge's Environment, Social, and Corporate Governance ("ESG") ratings improved in the latest reports released by MSCI and Sustainalytics.

Converge received a rating of 'A' (on a scale of AAA – CCC) in the MSCI ESG Ratings assessment in its latest review released in May 2023 – a marked improvement from its 'BBB' rating in the previous year. This reflects the Company's resilience to ESG risks and cementing its reputation as a highly investable and financially viable company.

In Sustainalytics' latest review in October 2023, Converge also improved its overall ESG risk rating to '19.6/Low Risk' from its '23.4/Medium Risk' rating in the previous year. The Company was also rated '54.0/Strong' in its ESG risk management, which measures the robustness of the Company's ESG programs, practices, and policies. This also marks a significant improvement from its '43.7/Average' rating in the previous year.

Converge implemented projects targeting the Environment pillar with its switch to renewable energy, and the Social pillar with its cybersecurity measures guarding against data breaches, thus improving Privacy and Data Security. Converge has also made strides in improving its labor practices.

"*Since announcing our Sustainability Commitment in 2021, we have been laser focused on managing the ESG topics that matter most to our stakeholders, particularly our customers, our employees, and our investors. This rating upgrade provides external validation of our efforts. Our aim is to be an industry leader in addressing sustainability-related risks and opportunities.*" said Converge EVP, Chief Strategy Officer and Chief Sustainability Officer Benjamin Azada.

This press release may contain forward looking statements and information that are, by their nature, subject to significant risks, uncertainties, and assumptions. Many factors could make or cause the *actual results, performance or achievements to be materially different from those expressed or implied in this release. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein.*

For questions, please contact:

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ANNEX

Exhibit 1: Summary Statement of Comprehensive Income

	For the nine months ended September 30				For the three months ended September 30			
	2023	2022	YoY change	YoY change %	2023	2022	YoY change	YoY change %
	(in ₱ millions)							
Revenues	26,248	24,481	1,768	7%	8,886	8,427	459	5%
Residential	22,470	21,362	1,108	5%	7,595	7,278	317	4%
Enterprise	3,778	3,119	660	21%	1,292	1,149	143	12%
Cost of services	(8,929)	(9,649)	720	-7%	(3,258)	(3,319)	61	-2%
Gross profit	17,319	14,831	2,488	17%	5,628	5,108	520	10%
General and administrative expenses	(5,221)	(4,636)	(585)	13%	(1,579)	(1,559)	-20	1%
Provision for impairment of trade and other receivables	(1,771)	(1,194)	(578)	48%	(631)	(386)	-245	64%
Unrealized fair value loss on financial asset at FVTPL	(7)	(16)	9	-57%	1	(8)	9	-113%
Other income (loss), net	(345)	43	(387)	N/M	(165)	152	-317	-209%
Profit from operations	9,976	9,029	947	10%	3,254	3,307	-53	-2%
Finance costs	(1,576)	(1,181)	(395)	33%	(484)	(495)	11	-2%
Profit before income tax	8,401	7,848	553	7%	2,770	2,812	-42	-1%
Income tax expense	(2,032)	(1,741)	(292)	17%	(687)	(655)	-32	5%
Profit after income tax for the period	**6,368**	**6,108**	**261**	**4%**	**2,083**	**2,157**	**-74**	**-3%**
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	6,368	1,970	4,398	223%	2,083	2,157	-74	-3%
Profit after income tax	6,368	6,108	261	4%	2,083	2,157	-74	-3%
Finance costs	1,576	1,181	395	33%	484	495	-11	-2%
Income taxes	2,032	1,741	292	17%	687	655	32	5%
Depreciation and amortization – cost of services	4,339	4,282	57	1%	1,575	1,576	-1	0%
Depreciation and amortization – general and administrative expenses	145	381	(235)	-62%	32	119	-87	-73%
Amortization of subscriber acquisition costs	688	753	(66)	-9%	232	258	-26	-10%
EBITDA	**15,149**	**14,445**	**703**	**5%**	**5,093**	**5,260**	**-167**	**-3%**
EBITDA Margin	**57.7%**	**59.0%**			**57.3%**	**62.4%**		

Exhibit 2: Quarterly Operational Performance Summary

	2021		2022				2023			YoY Change %
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	3Q2023 vs 3Q2022
Residential										
Revenues (In PHP millions)	**6,162**	**6,754**	**6,812**	**7,272**	**7,278**	**8,100**	**7,399**	**7,477**	**7,591**	**4.3%**
FTTH	5,571	6,215	6,299	6,800	6,853	7,605	7,089	7,181	7,331	7.0%
HFC	590	539	513	472	424	480	311	291	259	-38.8%
Customers	**1,576,759**	**1,691,550**	**1,802,202**	**1,817,115**	**1,845,162**	**1,877,361**	**1,920,361**	**1,969,663**	**2,048,286**	**11.0%**
FTTH	1,363,681	1,476,223	1,591,472	1,622,115	1,652,977	1,692,205	1,740,666	1,795.858	1,882,987	13.9%
HFC	213,078	215,327	210,370	195,000	192,185	185,156	179,695	173,805	165,299	-14.0%
Homes Passed	**9,610,861**	**10,913,865**	**12,200,921**	**13,493,993**	**14,316,633**	**14,940,769**	**15,917,481**	**16,560,337**	**16,732,193**	**16.9%**
FTTH	8,768,296	10,063,064	11,350,120	12,643,192	13,456,376	14,089,968	15,066,680	15,709,536	15,881,392	18.0%
HFC	842,565	850,801	850,801	850,801	850,801	850,801	850,801	850,801	850,801	0.0%
Ports	**5,226,713**	**5,882,333**	**6,525,861**	**7,172,397**	**7,583,717**	**7,895,785**	**8,384,141**	**8,705,569**	**8,791,497**	**15.9%**
FTTH	4,384,148	5,031,532	5,675,060	6,321,596	6,732,916	7,044,984	7,533,340	7,854,768	7,940,696	17.9%
HFC	842,565	850,801	850,801	850,801	850,801	850,801	850,801	850,801	850,801	0.0%
Household Coverage (%)	**37.6%**	**42.7%**	**47.5%**	**52.1%**	**53.0%**	**56.2%**	**59.9%**	**62.3%**	**62.9%**	**18.7%**
ARPU	**1,346**	**1,304**	**1,243**	**1,278**	**1,261**	**1,240**	**1,219**	**1,208**	**1,196**	**-5.2%**
FTTH	1,424	1,380	1,301	1,351	1,323	1,309	1,297	1,277	1,262	-4.6%
HFC	891	806	790	701	663	632	562	543	506	-23.6%
Customer Churn (%)	**1.32**	**0.99**	**1.47**	**2.49**	**1.96**	**1.75**	**1.89**	**2.04**	**2.43**	**24.0%**
FTTH	1.32	1.02	1.48	2.43	2.12	1.78	2.09	2.12	2.50	17.9%
HFC	1.34	0.77	1.37	2.98	0.83	1.43	1.16	1.19	1.68	102.5%
Port Utilization (%)	**30.2**	**28.7**	**27.6**	**25.3**	**24.4**	**23.8**	**22.9**	**22.6**	**23.3**	**-4.5%**
FTTH	31.1	29.3	28.5	25.7	24.6	23.9	23.1	22.9	23.7	-3.6%
HFC	25.3	25.2	21.7	22.9	22.7	21.8	21.1	20.4	19.4	-14.4%
Enterprise										
Revenues (In PHP millions)	**887**	**892**	**935**	**1,034**	**1,149**	**1,115**	**1,243**	**1,244**	**1,296**	**12.8%**
Customers	**21,425**	**26,038**	**29,723**	**31,886**	**35,324**	**37,563**	**40,683**	**42,797**	**45,736**	**29.5%**
ARPU	**15,175**	**12,510**	**11,195**	**11,114**	**11,430**	**11,076**	**10,398**	**10,130**	**10,195**	-10.8%
Customer Churn (%)	**1.42**	**1.15**	**1.98**	**2.19**	**2.69**	**2.73**	**1.58**	**1.27**	**1.22**	**-54.6%**

Notes:
(1) FTTH homes passed is derived from the number of homes within a 300-meter radius from a network access point (“NAP”) that we have installed in a coverage area. Each NAP has eight or sixteen ports, and one port serves one home.
(2) HFC homes passed refers to the number of homes and other residential units that are within a 200-meter radius from our HFC ports, and can be connected to our network.
(3) The number of FTTH ports installed represents both activated FTTH connections and ports available for immediate activation once a new subscription is approved.
(4) The number of HFC ports installed refers to a slot on a network device allowing for the transmission of data between our HFC network and the equipment at the customer premises.
(5) Household coverage is calculated as total homes passed over total number of homes in the Philippines, which is estimated at 25.7 million as of December 2021, extrapolated from MPA data.
(6) Monthly ARPU for our Residential Business is calculated by dividing (i) the revenue generated during a period by (ii) the average number of subscribers during that period, then dividing the quotient by the number of months during that period. The average number of subscribers during a period is calculated by the sum of the subscribers at the beginning and at the end of the period, divided by two.
(7) Blended churn rate refers to the combined FTTH and HFC churn rate. Churn rate for our Residential Business is calculated by dividing (i) the sum of the number of permanent subscriber discontinuations in a month, by (ii) the average number of subscribers during the respective month and multiplying the result by 100%. The average number of subscribers during a month is calculated by the sum of the subscribers at the beginning and at the end of the month, divided by two.
(8) Our port utilization rates for our FTTH network is our number of FTTH subscribers as a percentage of total FTTH ports and for our HFC network is our number of HFC subscribers as a percentage of HFC homes passed.
(9) ARPU for our Enterprise Business is calculated by dividing (i) the revenue generated during a period by (ii) the average number of enterprise users during that period, then dividing the quotient by the number of months during that period. The average number of enterprise users during a period, is calculated by the sum of the enterprise users at the beginning and at the end of the period, divided by two.
(10) Customer churn rate for our Enterprise Business is calculated by dividing (i) the sum of the number of permanent customer deactivations in a month, by (ii) the average number of customers during the respective month and multiplying the result by 100%. The average number of customers during a month is calculated by the sum of the circuits at the beginning and at the end of the month, divided by two.

Exhibit 3: Cost of Services, G&A Expenses and Provisions

	For the nine months ended September 30				For the three months ended September 30			
	2023	**2022**	**YoY change**	**YoY change %**	**2023**	**2022**	**YoY change**	**YoY change %**
				(in ₱ millions)				
Depreciation and amortization	4,339	4,282	57	1%	1,575	1,576	(1)	0%
Amortization of deferred contract cost	1,568	1,811	(243)	-13%	519	604	(85)	-14%
Repairs and maintenance expense	1,038	744	295	40%	468	281	187	67%
Bandwidth and leased line costs	494	758	(265)	-35%	159	239	(80)	-34%
Rent	404	323	81	25%	141	122	19	15%
Service fees	334	383	(49)	-13%	98	133	(35)	-26%
Personnel costs	270	285	(15)	-5%	100	74	26	35%
Network materials and supplies used	103	900	(797)	-89%	51	219	(168)	-77%
Others	379	164	215	131%	148	70	78	112%
Total cost of services	**8,929**	**9,649**	**(720)**	**-7%**	**3,258**	**3,318**	**(60)**	**-2%**
Gross profit	**17,319**	**14,831**	**2,488**	**17%**	**5,628**	**5,108**	**520**	**10%**
Gross profit margin	**66.0%**	**60.6%**			**63.3%**	**60.6%**		

	For the nine months ended September 30				For the three months ended September 30			
	2023	**2022**	**YoY change**	**YoY change %**	**2023**	**2022**	**YoY change**	**YoY change %**
				(in ₱ millions)				
Managed service fees	1,476	768	708	92%	523	305	218	72%
Personnel costs	1,147	1,302	(154)	-12%	401	360	41	11%
Outside services	1,013	647	367	57%	171	275	(104)	-38%
Promotions	297	373	(76)	-20%	74	139	(65)	-47%
Taxes and licenses	273	302	(29)	-10%	71	40	31	78%
Depreciation and amortization	145	381	(235)	-62%	32	119	(87)	-73%
Other general and administrative expenses	868	863	6	1%	307	321	(14)	-5%
Total G&A expenses	**5,221**	**4,636**	**585**	**13%**	**1,579**	**1,559**	**20**	**1%**
Provision for impairment of receivables	1,771	1,194	578	48%	631	386	245	64%
Unrealized fair value loss on financial asset at FVPTL	7	16	(9)	-57%	(1)	8	(9)	N/M
Other income/(expenses)	345	(43)	387	N/M	165	-152	317	N/M
Operating profit	**9,976**	**9,029**	**947**	**10%**	**3,254**	**3,307**	**(53)**	**-2%**
Operating profit margin	**38.0%**	**36.9%**			**36.6%**	**39.2%**		

Exhibit 4: Other Income/(Expenses) Statement Items

	For the nine months ended September 30				For the three months ended September 30			
	2023	2022	YoY change	YoY change %	2023	2022	YoY change	YoY change %
	(in ₱ millions)							
Provision for impairment of property plant and equipment	(402)	-	(402)	N/M	(176)	-	(176)	N/M
Provision for inventory obsolescence	(179)	-	(179)	N/M	(179)	-	(179)	N/M
Net foreign exchange gain/(loss)	(16)	(22)	6	-26%	86	164	(78)	-47%
Equity share in net income of associate and joint ventures	157	17	140	N/M	87	(3)	90	N/M
Interest income	31	55	(24)	-44%	10	8	2	20%
Miscellaneous income (expense)	65	(7)	72	N/M	7	(17)	24	N/M
Total other income (expense), net	**(345)**	**43**	**(387)**	**N/M**	**(165)**	**152**	**(317)**	**-209%**
Operating profit	9,976	9,029	947	10%	3,254	3,307	(53)	-2%
Finance cost...	(1,576)	(1,181)	(395)	33%	(484)	(495)	11	-2%
Profit before income tax................................	8,401	7,848	553	7%	2,770	2,812	(42)	-1%
Income tax expense......................................	(2,032)	(1,741)	(292)	17%	(687)	(655)	(32)	5%
Net income	**6,368**	**6,108**	**261**	**4%**	**2,083**	**2,157**	**(74)**	**-3%**
Net income margin	**24.3%**	**24.9%**			**23.4%**	**25.6%**		

Exhibit 5: Summary Balance Sheet

	As of the period			
	Sept 30, 2023	Dec 31, 2022	Change	Change %
	In P millions			
Current assets				
Cash and cash equivalents	13,180	10,214	2,966	29%
Trade and other receivables, net	3,290	3,337	(47)	-1%
Due from related parties, net, current portion	159	609	(450)	-74%
Network materials and supplies, net	2,032	4,385	(2,353)	-54%
Deferred contract costs, current portion	1,025	1,007	18	2%
Other current assets	3,216	3,046	170	6%
Non-current assets				
Property, plant and equipment, net	67,571	62,534	5,037	8%
Right-of-use assets, net	2,934	3,294	(360)	-11%
Intangible assets, net	2,218	2,385	(167)	-7%
Due from related parties, net of current portion	154	157	(3)	-2%
Advances to fixed assets suppliers	4,146	4,317	(171)	-4%
Retirement benefit assets, net	47	-	47	N/M
Other non-current assets	3,052	2,813	239	8%
Total assets	**103,023**	**98,098**	**4,925**	**5%**
Current liabilities				
Trade and other current liabilities	18,872	17,055	1,817	11%
Due to related parties	108	111	(3)	-3%
Borrowings, current portion	4,840	3,240	1,600	49%
Lease liabilities, current portion	537	616	(79)	-13%
Other current liabilities	2,868	3,701	(833)	-23%
Non-current liabilities				
Borrowings, net of current portion	31,396	35,000	(3,604)	-10%
Retirement benefit obligation, net	-	153	(153)	-100%
Other non-current liabilities	1,872	2,111	(239)	-11%
Total liabilities	**60,492**	**61,987**	**(1,495)**	**-2%**
Total equity	**42,531**	**36,111**	**6,420**	**18%**
Total liabilities and equity	**103,023**	**98,098**	**4,925**	**5%**

Exhibit 6: Summary Cash Flow

	For the nine months ended September 30			
	2023	2022	YoY change	YoY change %
	(in P millions)			
Cash flow from operating activities				
Profit before income tax	8,401	7,848	553	7%
Adjustments for operating income	9,512	8,676	836	10%
Adjustments for assets and liabilities	(4,827)	(4,379)	(448)	10%
Cash from operations	13,086	12,145	941	8%
Interest received and income taxes paid	(1,707)	(2,700)	993	-37%
Net cash from operating activities	**11,379**	**9,445**	**1,934**	**20%**
Cash flow from investing activities				
Acquisition of property, plant, and equipment and intangibles	(4,968)	(16,815)	11,847	-70%
Others	(232)	(5)	(227)	N/M
Net cash (used in) investing activities	**(5,200)**	**(16,820)**	**11,620**	**-69%**
Cash flow from financing activities				
Proceeds from loans payable	500	11,463	(10,963)	-96%
Payment of loans payable	(2,422)	(2,506)	84	-3%
Others	(1,883)	1,559	(3,442)	-221%
Net cash from/(used in) financing activities	**(3,805)**	**10,516**	**(14,321)**	**-136%**
Net increase/(decrease) in cash and cash equivalents	**2,375**	**3,141**	**(766)**	**-24%**
Cash and cash equivalents, beginning	10,214	8,084	2,130	26%
Effects of exchange rate changes in cash and cash equivalents	591	563	28	5%
Cash and cash equivalents, ending	**13,180**	**11,788**	**1,392**	**12%**

Exhibit 7: Liquidity and Capital Resources

	September 30, 2023	December 31, 2022	Change (%)
Balance Sheet Data (in ₱ millions)			
Total Assets	103,023	98,098	5%
Total Debt(1)	36,236	38,240	-5%
Total Stockholders' Equity	42,531	36,111	18%
Financial Ratios			
Total Debt to EBITDA (gross)	1.8x	2.0x	
Total Debt to EBITDA (net)	1.2x	1.4x	
Debt Service Coverage(2)	3.6x	3.9x	
Interest Coverage (gross) (3)	9.4x	11.2x	
Debt to Equity (gross) (4)	0.9x	1.1x	
Debt to Equity (net) (5)	0.5x	0.8x	
Return on Invested Capital (6)	15.4%	15.7%	

Notes:
(1) Total Debt is the sum of current and noncurrent loans payable
(2) Debt Service Coverage is computed as last twelve month's ("LTM") EBITDA divided by the sum of current loans payable, LTM interest expense, and current lease liabilities
(3) Interest Coverage (gross) is computed as LTM EBITDA divided by LTM finance costs
(4) Debt to Equity (gross) is computed as total debt divided by total shareholders' equity
(5) Debt to Equity (net) is computed as the difference between total debt and cash and cash equivalents divided by total shareholders' equity
(6) Return on Invested Capital is tax-adjusted (25% assumed effective tax rate) profit from operations divided by average invested capital. Invested Capital is the sum of our total equity and total debt (comprising loans payable (non-current and current portions)), less cash and cash equivalents and capital expenditures in progress

Exhibit 8: Property, plant, and equipment

	As of the period			
	September 30, 2023	September 30, 2022	YoY Change	YoY Change %
	(in millions)			
Total additions to property, plant and equipment	10,384	15,966	(5,582)	-35%
Total cash capital expenditures[1]	5,200	16,815	(11,615)	-69%
Cash capital expenditures[1] / Revenue	20%	69%		

Notes:

(1) Include acquired property, plant and equipment, intangibles, and right-of-use assets and advances to fixed asset suppliers as of report date.

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