

# 2022 Q3 Results Discussion with the CFO Jollibee Foods Corporation

November 16, 2022



## Reminder to Participants of JFC's Investor/ Analyst Briefing

This earnings call may include forward-looking statements that are based on certain assumptions of Management and are subject to risks and opportunities or unforeseen events. Actual results could differ materially from those contemplated in the relevant forward-looking statement and the JFC Group gives no assurance that such forward-looking statements will prove to be correct or that such intentions will not change.

All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

# Highlights for Q3 2022

- **JFC sustained strong Sales and Profit Growth**

**Highest 3<sup>rd</sup> Quarter Operating income margin** since 2018 driven by sustained Operating Income growth of PH business (+219.6%)

- Strong top line for both PH and international businesses; another record high SWS** (SWS +51.3% and Revenues +49.0%); with all brands registering double- to triple-digit growth vs. SPLY
  - International business generated Operating Profit**, with JB NA, JB Vietnam, JB ME, Highlands Coffee and Milksha as key profit contributors
- **Gross Margin Profit** of 17.1% is record Q3 high And was driven through cost efficiencies (280bps savings) and appropriate price increases (below inflation)
  - **Other Income** includes gain from sale of CBTL property in the US and gain from asset swap in PH totaling Ps2.4Bio in Q3 2022
  - **Net income attributable to equity holders of the Parent Company (Ps2.3B) is ~30% higher and ahead of Q3 pre-pandemic levels**

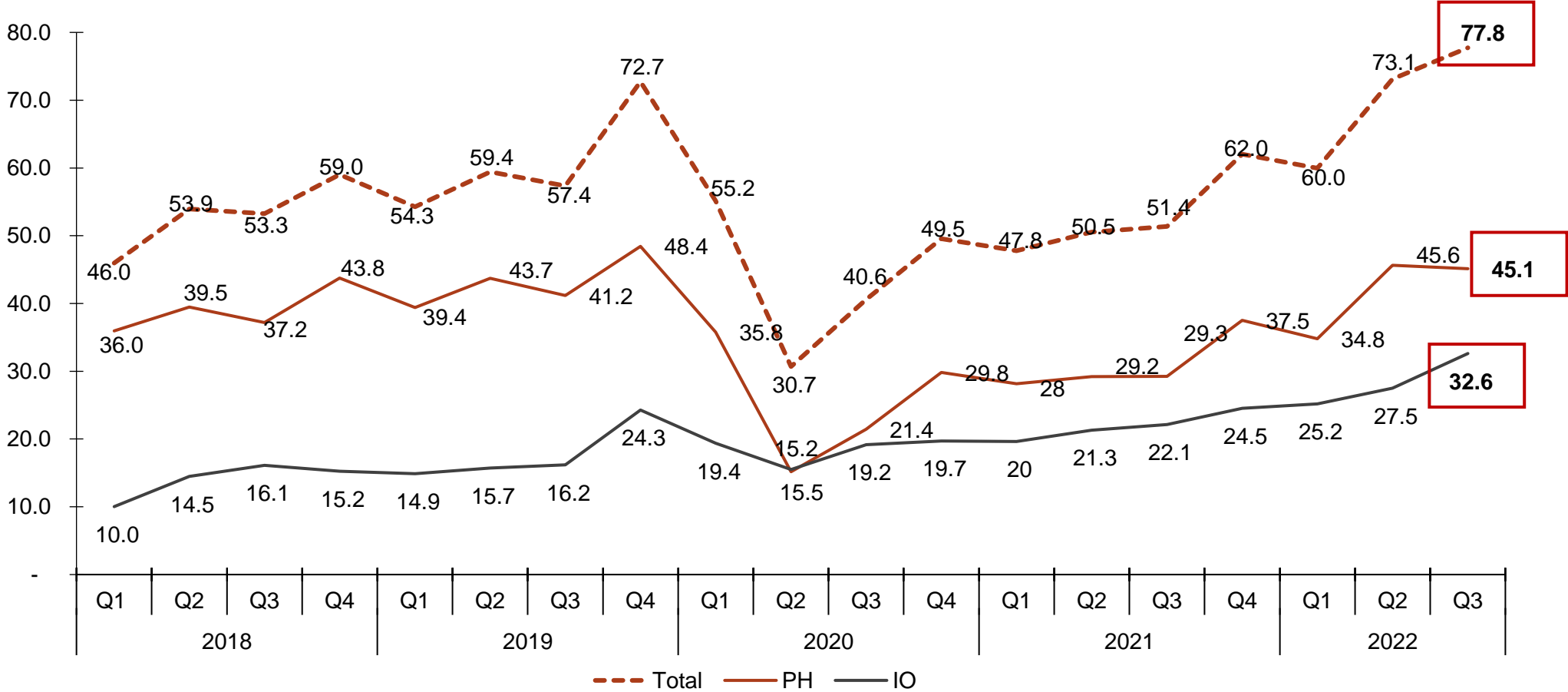
# Store Network

	FY 2021	Open	Close	Net Openings /(Closures)	Adjustment and New Acquisition	Sep-30	% Growth vs Year Ago
<b>Philippines</b>	<b>3,220</b>	<b>64</b>	<b>46</b>	<b>18</b>	-	<b>3,238</b>	<b>1.1</b>
China	460	66	40	26	-	486	14.6
North America	370	23	8	15	-	385	5.8
<i>Philippine Brands</i>	<i>125</i>	<i>15</i>	<i>-</i>	<i>15</i>	<i>-</i>	<i>140</i>	<i>13.8</i>
<i>Smashburger</i>	<i>245</i>	<i>8</i>	<i>8</i>	<i>-</i>	<i>-</i>	<i>245</i>	<i>1.7</i>
EMEAA Philippine Brands	302	26	9	17	-	319	10.0
<i>Other Asia</i>	<i>204</i>	<i>14</i>	<i>3</i>	<i>11</i>	<i>-</i>	<i>215</i>	<i>12.0</i>
<i>Middle East</i>	<i>85</i>	<i>9</i>	<i>6</i>	<i>3</i>	<i>-</i>	<i>88</i>	<i>1.1</i>
<i>Europe</i>	<i>12</i>	<i>3</i>	<i>-</i>	<i>3</i>	<i>-</i>	<i>15</i>	<i>50.0</i>
<i>Oceania</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>-</i>
Coffee Bean and Tea Leaf	1,048	69	64	5	-	1,053	0.6
SuperFoods	533	89	30	59	-	592	10.7
Milksha	-	24	10	14	264	278	-
<b>Total Foreign</b>	<b>2,713</b>	<b>297</b>	<b>161</b>	<b>136</b>	<b>264</b>	<b>3,113</b>	<b>17.0</b>
<b>Total Worldwide</b>	<b>5,933</b>	<b>361</b>	<b>207</b>	<b>154</b>	<b>264</b>	<b>6,351</b>	<b>8.3</b>

\*Organic growth (ex-Milksha):  
Worldwide +3.5%  
International +6.6%

We continue to maintain our store opening plan for 2022 (i.e., circa 500 stores as disclosed in 2021 Q4 press release). Further, we continue to evaluate CAPEX to maintain an optimal payback period

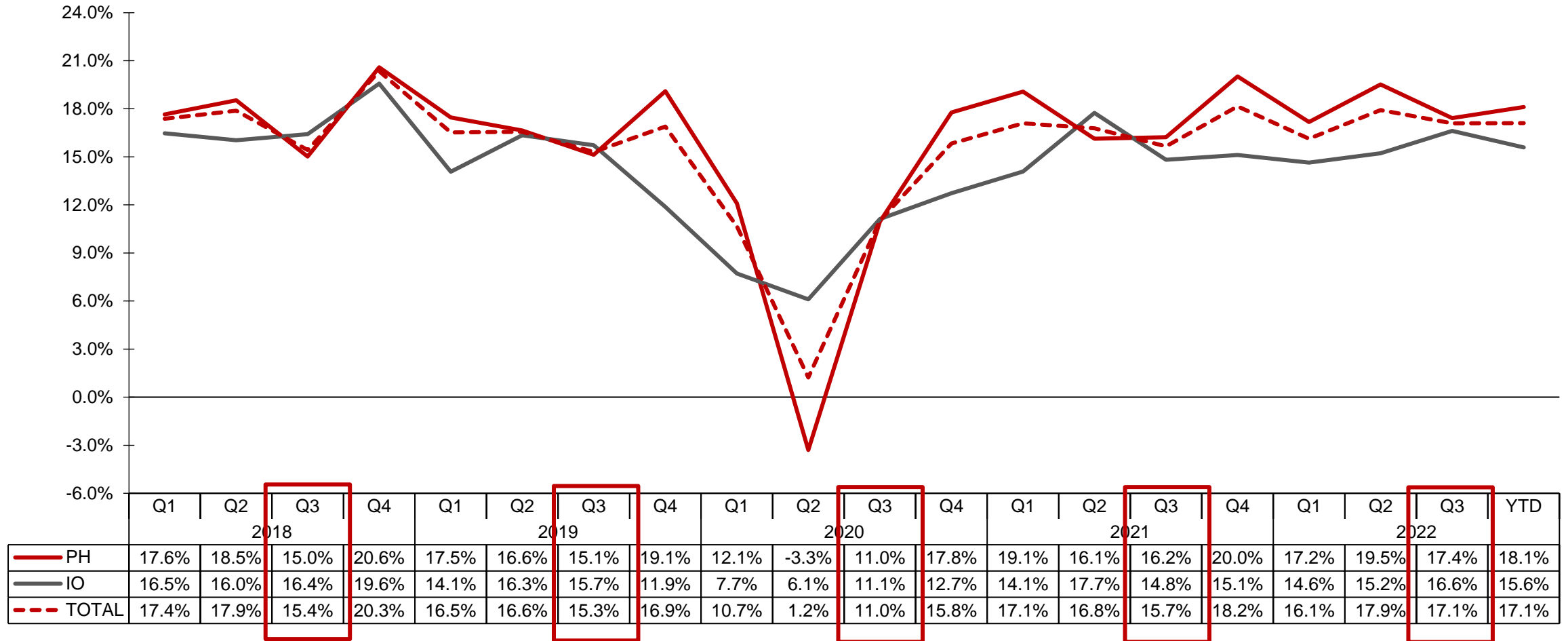
# Quarterly Systemwide Sales in Php Bn



**2019 Average Quarterly SWS: Php61.0 Billion**

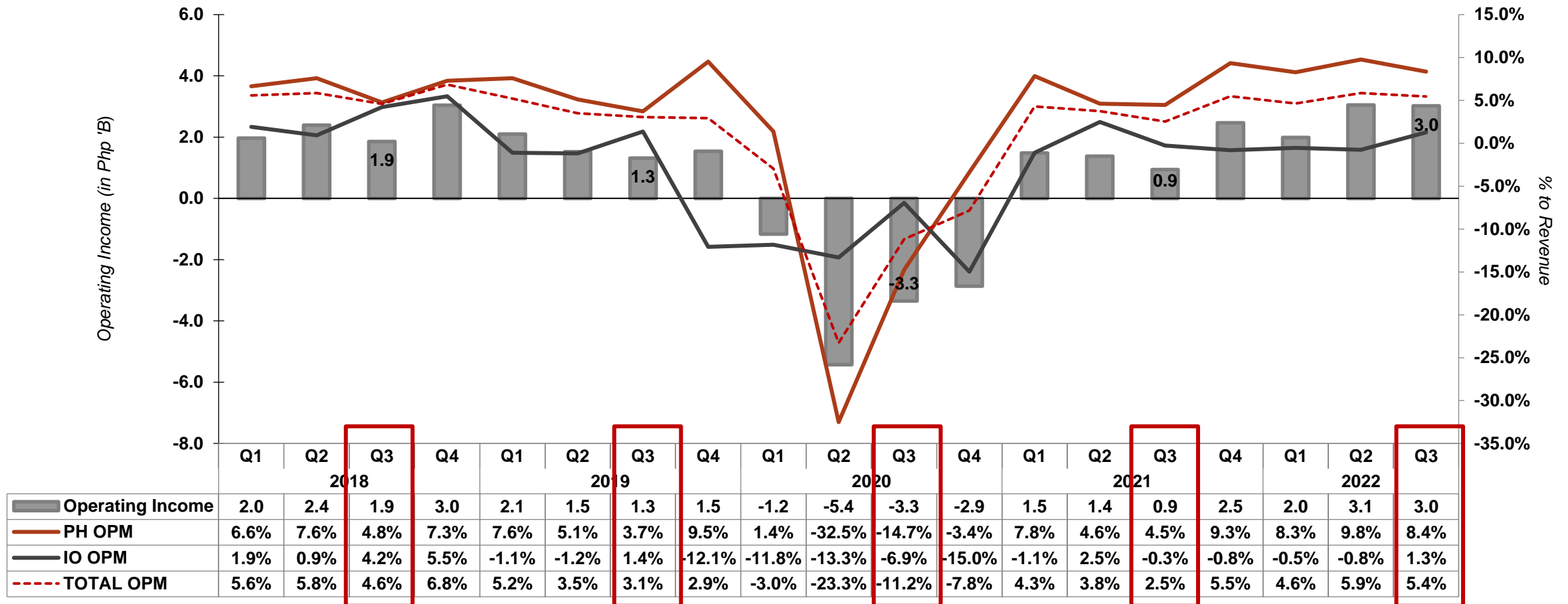
*Note: System wide sales of Smashburger were consolidated starting April 17, 2018, CBTL starting Q4 2019 and Milksha (Php1.3Bio SWS for Q3) starting February 22, 2022.*

# Quarterly Gross Profit Margins



Record high 3<sup>rd</sup> Quarter Gross Profit Margin

# Quarterly Operating Income (Loss)



# SWS and SSSG by Region

Region and Segment	Q3 2022 vs Q3 2021			9M 2022 vs 9M 2021		
	% Contribution to Global SWS	SWS G%	SSSG%	% Contribution to Global SWS	SWS G%	SSSG%
<b>Philippines</b>	<b>58.0</b>	<b>54.2</b>	<b>48.5</b>	<b>59.5</b>	<b>45.0</b>	<b>41.2</b>
China	7.5	14.2	-4.6	6.4	-0.2	-13.5
North America	13.4	32.5	6.0	13.3	30.3	7.5
EMEAA	6.2	54.6	7.9	6.3	44.1	9.8
Beverage <sup>1</sup>	14.8	151.5	44.2	14.4	46.4	19.8
<b>Total International</b>	<b>42.0</b>	<b>47.5</b>	<b>8.5</b>	<b>40.5</b>	<b>35.3</b>	<b>8.0</b>
<b>Total Worldwide</b>	<b>100.0</b>	<b>51.3</b>	<b>30.9</b>	<b>100.0</b>	<b>40.9</b>	<b>26.8</b>

<sup>1</sup> Beverage include Milksha, CBTL and SuperFoods

**Q3 Group SSSG%** driven by strong Dine-In and Off Premise growth (86% TC/ 14% AC)

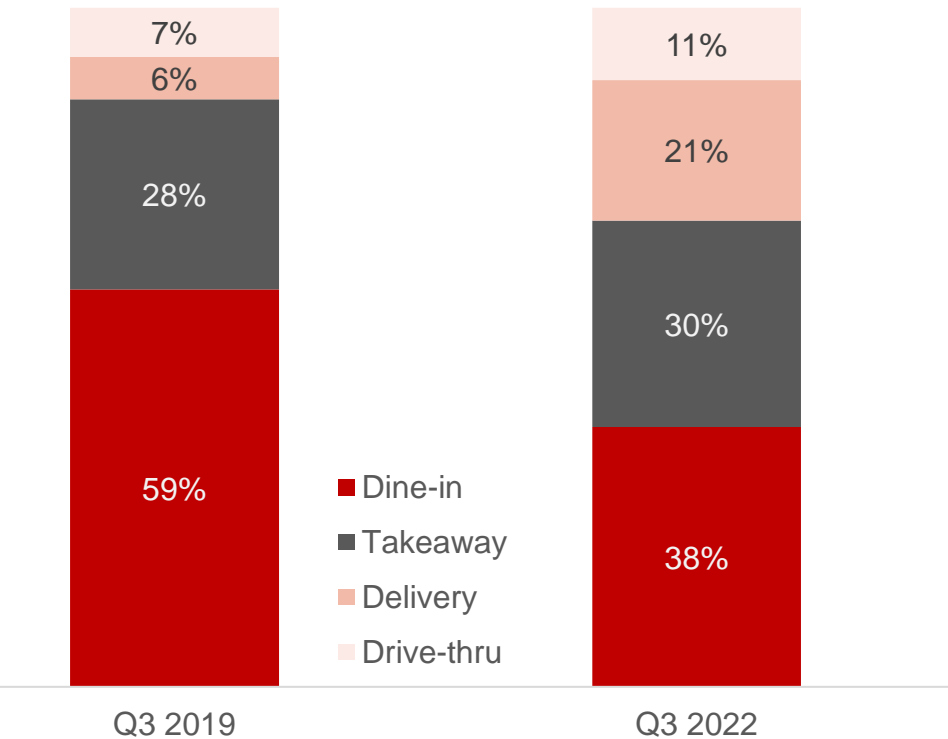
**Q3 PH SSSG%** driven by strong Dine-In and Off Premise growth (78% TC/ 22% AC)

October trended similarly with high double digit SWS growth in PH and International

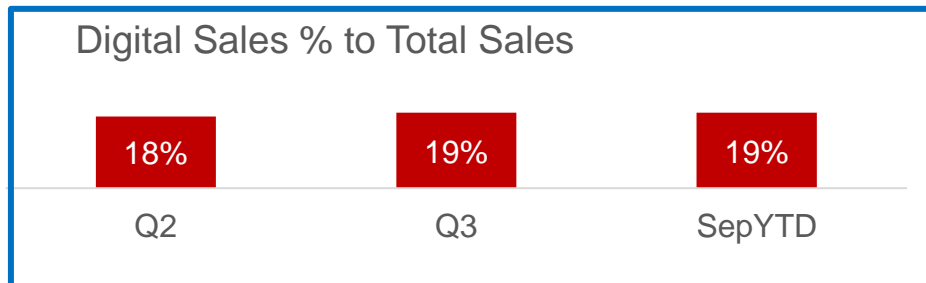


# Channel Sales and Early Consumer Convenience Trends

Channel Mix



Digital Sales % to Total Sales



## Key Takeaways

- Off-premise channels continue (Delivery, Takeaway and Drive-thru) to grow as a channel as aligned with our digital marketing strategy to attract new customers
- Digital Sales (Online Delivery mix) remains to be ~20% of total sales for 9M 2022, significant improvement from pre-pandemic level of just 4%**

Channel SWS G%	vs. '21	vs. '19
Dine-in	+163%	-3%
Takeaway	+22%	+44%
Delivery	+17%	+366%
Drive-thru	+2%	+113%

## Summary - Q3 and Sept YTD '22 vs. '21 and '19 (Pre-Pandemic)

Amounts in Php Bn except for % change and per share data	Quarter 3			YTD		
	2022	vs. '21	vs. '19	2022	vs. '21	vs. '19
<b>System Wide Sales</b>	<b>77.8</b>	51.3%	35.5%	<b>210.9</b>	40.9%	23.3%
<b>Revenues</b>	<b>55.4</b>	49.0%	28.4%	<b>150.4</b>	38.5%	18.2%
<b>Gross Profit</b>	<b>9.5</b>	62.7%	43.4%	<b>25.7</b>	43.6%	25.4%
<b>Operating Income</b>	<b>3.0</b>	219.6%	129.2%	<b>8.1</b>	111.7%	63.1%
<b>EBITDA</b>	<b>8.2</b>	64.8%	25.2%	<b>23.0</b>	47.1%	34.6%
<b>Net Income</b>	<b>2.3</b>	70.5%	28.2%	<b>7.3</b>	224.3%	80.4%
<b>Net Income Attributable to Equity Holders of the Parent</b>	<b>2.1</b>	36.4%	28.0%	<b>7.2</b>	168.2%	73.4%
<b>Earnings Per Share - Basic</b>	<b>1.930</b>	36.1%	26.1%	<b>6.221</b>	155.1%	62.8%
<b>Earnings Per Share - Diluted</b>	<b>1.925</b>	35.9%	27.2%	<b>6.204</b>	154.7%	64.3%

Positive gearing and strong operational leverage

# Profit and Expenses as Percentage to Revenues

as % of Revenues, change in bps	Quarter 3			Sep YTD		
	2022	vs. '21	vs. '19	2022	vs. '21	vs. '19
<b>Gross Profit Margin</b>	<b>17.1%</b>	1.4	1.8	<b>17.1%</b>	0.6	1.0
<b>General and Administrative Expenses as a % to Revenues</b>	<b>9.8%</b>	(1.0)	(0.2)	<b>10.2%</b>	(0.7)	(0.1)
<b>Operating Income Margin</b>	<b>5.4%</b>	2.9	2.3	<b>5.4%</b>	1.9	1.5
<b>Net Income Attributable to Equity Holders of the Parent Company Margin</b>	<b>3.9%</b>	(0.3)	(0.0)	<b>4.8%</b>	2.3	1.5

Record high Q3 Gross Profit Margin and triple Operating Income vs. SPLY due to strong topline growth and effective cost management across JFC value chain

# Domestic and International Business - Key Margins

Key Metrics	Q3 2022						Sept YTD 2022				
	Margins as % to Revenues			Change			Margins as % to Revenues			Change	
	2022	2021	2019		vs. LY	vs. 2019	2022	2021	2019	vs. LY	vs. 2019
<b>Global Cost of Sales</b>	<b>82.9%</b>	<b>84.3%</b>	<b>84.7%</b>	<b>0</b>	<b>-1.4</b>	<b>-1.8</b>	<b>82.9%</b>	<b>83.5%</b>	<b>83.9%</b>	<b>-0.6</b>	<b>-1.0</b>
Philippines	82.6%	83.8%	84.9%	0	-1.2	-2.3	81.9%	82.9%	83.6%	-1.0	-1.7
International	83.4%	85.2%	84.3%	0	-1.8	-0.9	84.4%	84.4%	84.6%	0.0	-0.2
<b>Global Gross Profit</b>	<b>17.1%</b>	<b>15.7%</b>	<b>15.3%</b>	<b>0</b>	<b>1.4</b>	<b>1.8</b>	<b>17.1%</b>	<b>16.5%</b>	<b>16.1%</b>	<b>0.6</b>	<b>1.0</b>
Philippines	17.4%	16.2%	15.1%	0	1.2	2.3	18.1%	17.1%	16.4%	1.0	1.7
International	16.6%	14.8%	15.7%	0	1.8	0.9	15.6%	15.6%	15.4%	-0.0	0.2
<b>Global Opex and Ads</b>	<b>11.6%</b>	<b>13.1%</b>	<b>12.2%</b>	<b>0</b>	<b>-1.5</b>	<b>-0.6</b>	<b>11.7%</b>	<b>13.0%</b>	<b>12.2%</b>	<b>-1.2</b>	<b>-0.5</b>
Philippines	9.1%	11.8%	11.4%	0	-2.7	-2.3	9.3%	11.5%	11.0%	-2.3	-1.7
International	15.4%	15.1%	14.4%	0	0.3	1.0	15.5%	15.2%	15.7%	0.3	-0.1
<b>Global Operating Income</b>	<b>5.4%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>0</b>	<b>2.9</b>	<b>2.4</b>	<b>5.4%</b>	<b>3.5%</b>	<b>3.9%</b>	<b>1.9</b>	<b>1.5</b>
Philippines	8.4%	4.5%	3.7%	0	3.9	4.6	8.8%	5.6%	5.4%	3.2	3.4
International	1.3%	-0.3%	1.4%	0	1.5	-0.1	0.1%	0.4%	-0.3%	-0.3	0.3
<b>Global NIAT</b>	<b>3.9%</b>	<b>4.2%</b>	<b>3.9%</b>	<b>0</b>	<b>-0.4</b>	<b>-0.0</b>	<b>4.8%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>2.3</b>	<b>1.5</b>
Philippines	9.2%	4.0%	2.1%	0	5.2	7.1	11.3%	3.2%	3.9%	8.2	7.5
International	-3.8%	4.5%	8.5%	0	-8.3	-12.2	-5.1%	1.5%	1.7%	-6.5	-6.8

## Takeaways:

- 8.4% PH NOI% was a record 3<sup>rd</sup> quarter high, representing ~70% franchised business
- Positive International Operating Profit Margin despite the COVID restrictions in China (excluding CN: 2.1% International NOI)
- NIAT impacted by FX and DIT timing

Note:

1. Margins as % of Revenues
2. Gross Profit = (Revenues less Total Direct Costs (Cost of Inventories + Store and Manufacturing Costs))/Revenues
3. Opex and Ads = General and Administrative Expenses plus Advertising Expenses

## Other Income - Details

Margins as % of Revenues

Other Income Details:

	Q3			Sept YTD		
	2022	2021	2019	2022	2021	2019
Gain on Land conveyance and disposal	4.3%	--	--	3.5%	--	--
Mark-to-market gain/loss on assets at FVTPL	-0.4%	0.1%	--	-0.9%	0.3%	--
Write-off of liabilities	0.7%	1.5%	1.2%	0.5%	1.1%	1.1%
Provisions	-1.1%	--	--	-0.4%	--	--
Rebates, Incentives and Subsidies	0.1%	0.5%	0.1%	0.2%	0.3%	0.1%
Forex Exchange Gain - Net	-0.9%	0.4%	0.1%	0.1%	0.2%	-0.1%
Gain from acquisition of a business	--	--	3.1%	--	--	1.1%
Others	0.1%	-0.1%	0.1%	-0.1%	0.1%	0.0%
Total Other Income	2.7%	2.3%	4.6%	3.0%	2.0%	2.2%

Note:

1 Others include: (a) Bank Charges (b) Insurance Claims (c) Gain on pre-termination of leases

# Operating Income to NIAT Bridge

Margins as % of Revenues	Q3			Sept YTD		
	2022	2021	2019	2022	2021	2019
<b>Operating Income</b>	<b>5.4%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>5.4%</b>	<b>3.5%</b>	<b>3.9%</b>
Interest Income/Expense	-1.9%	-2.2%	-1.6%	-2.0%	-2.6%	-1.7%
Equity in Income/Loss of JV and Associates	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%
Other Income	2.7%	2.3%	4.6%	3.0%	2.0%	2.2%
Income Tax - Current	-1.4%	-1.2%	-1.8%	-1.5%	-1.1%	-1.7%
Income Tax - Deferred	-0.8%	2.5%	-0.1%	0.0%	0.2%	0.4%
NIAT attributable to NCI*	-0.3%	0.6%	-0.3%	0.0%	0.4%	0.1%
<b>NIAT attributable to Equity Holders of Parent Company</b>	<b>3.9%</b>	<b>4.2%</b>	<b>3.9%</b>	<b>4.8%</b>	<b>2.5%</b>	<b>3.3%</b>

Note:

\*NCI = Non-controlling interests

1 Significant Other Income components: (a) Gain on land conveyance and disposal (b) reversal of past accruals (c) Foreign exchange impact (d) General Provisions

# Financial Metrics Summary - EBITDA and Free Cash Flow

	Q3 2022	Q2 2022	Q1 2022	1H 2022
<b>EBITDA Margin</b>	<b>14.7%</b>	<b>14.9%</b>	<b>16.5%</b>	<b>15.6%</b>
Adjustments:				
Gain on land conveyance and disposal	4.3%	2.0%	4.3%	3.0%
Marked-to-market gain (loss) on FVTPL	-0.4%	-1.1%	-1.1%	-1.1%
Foreign Exchange gain - net	-0.9%	1.0%	0.5%	0.7%
<b>Underlying EBITDA Margin</b>	<b>11.8%</b>	<b>13.0%</b>	<b>12.9%</b>	<b>13.0%</b>
Income before working capital	13.2%	13.0%	13.4%	13.2%
<b>Net cash generated from operations</b>	<b>14.7%</b>	<b>18.2%</b>	<b>7.9%</b>	<b>13.5%</b>
<b>Net cash provided by operating activities</b>	<b>13.7%</b>	<b>16.5%</b>	<b>6.8%</b>	<b>12.1%</b>
Net CAPEX / Sales	-3.0%	-6.6%	-3.7%	-5.3%
<b>FCF Margin</b>	<b>10.9%</b>	<b>9.9%</b>	<b>3.1%</b>	<b>6.8%</b>

# Balance Sheet

amounts in Php billions, for the period ended

Sep 30 2022

Dec 31, 2021

## Cash and cash equivalents

### Short-term investments

31.5

24.8

## Financial Assets at FVTPL

8.4

14.4

## Bank Loans<sup>1</sup>

55.1

53.3

## Net Debt<sup>2</sup>

15.2

14.1

## Working Capital

### Average collection period

13

17

### Inventory days

45

47

### Days Payable

58

66

## Current ratio

1.28:1.00

1.43:1.00

## Debt to Equity ratio

40:60

42:58

## Debt to Equity<sup>3</sup>

1.91

1.84

## Debt to EBITDA Ratio<sup>4</sup>

1.87

2.29

## Debt Service Coverage Ratio<sup>5</sup>

3.08

3.22

## Percent of long-term loans to total bank loans

96%

99%

Note:

<sup>1</sup> Bank loans is calculated as the sum of short-term debt, long-term debt, and senior debt securities;

<sup>2</sup> Net debt is calculated as the difference of Total Bank Loans, Senior Debt Securities and cash and cash equivalents, and short-term investments assets at FVTPL

<sup>3</sup> Debt to Equity = Total Liabilities / Total Equity (Target: maximum of 3.0x)

<sup>4</sup> Debt to EBITDA = Total debt and guarantees issued for loans of non-wholly owned subsidiaries / EBITDA (Target: maximum of 3.0x)

<sup>5</sup> Debt Service Coverage Ratio = EBITDA / Sum of (i) 12-month rolling interest payment, (ii) short-term debt, (iii) current portion of long-term debt and guarantees issued for loans of non-wholly owned subsidiaries (Target: minimum of 1.3x)

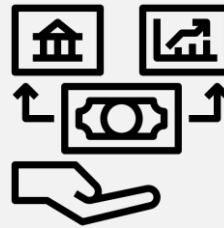


# 2022 Focus Areas - Top 3 Priorities



Grow both top and bottom line with effective investment decisions and focus on implementation excellence to deliver results for fiscal 2022 amidst macro headwinds.

Key strategies will evolve around Digital Revenue optimization, International Growth and sustaining growth momentum of Philippine business.



Continue to fortify our Balance Sheet & Capital Structure to ensure

- i. timely servicing of debt in line with commitments to protect stakeholders' investments
- ii. pipeline of funding for operational and capital expenditure needs
- iii. flexibility to seize opportunities for acquiring undervalued assets or strategically compatible brands



Continue to build JFC leadership, managerial and skilled teams at central/shared functions as well as in the Business Units.

# Forward Guidance - 2022 Outlook

Fourth quarter is trending strong and hence ending 2022 with:

1. Store network increase of 8%-10% versus 2021, including the impact of Milksha which the JFC Group started to consolidate into its financials effective February 22, 2022;
2. System wide sales and revenue to sustain double-digit growth of 35%-40%;
3. Operating income is expected to be at par with 2018 level or better

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