

## **SLIDE 1 – Cover page**

Thank you, Mr. Chairman. Good morning, everyone and thank you for attending this annual stockholders' meeting. It has been more than three years since we were last able to hold an in-person ASM. So it is good to be back.

Before I begin, I'd like to thank our team of over 800 people across the country. It is their outstanding effort and great commitment that enables us to improve every day and achieve the goals we have set for our ourselves. I'd also like to thank you, our shareholders, for your trust throughout 2022 and in the years before.

Today I will focus on two points:

1. First, I will explain how we delivered our record results in 2022.
2. Then, I will then spend a few minutes going over our progress on the strategy that we shared last year.

## **SLIDE 2 – Agenda**

Without question, the operating environment in 2022 was complex. The world faced multiple challenges on our health, economy, and society from the overlapping impact of the COVID-19 pandemic, the war in Ukraine, the climate crisis, and the rising cost of living. Yet we worked through all these issues, and ultimately, 2022 summed up as an extraordinary year for us.

Let's take a look at our highlights.

## **SLIDE 3 – Revenue summary**

2022 was the first time in our history that we exceeded P10 billion in revenues. Overall, our revenues reached P12 billion, up 23% from 2021, with all business segments being profitable.

Specifically:

- Foods revenues amounted to P6.2 billion, which was all-time high after growing 48% year on year. This reflects our strengthened capabilities in this segment coupled with strong recovery in food services and restaurants which lifted demand. Our total volume was up 22% led by demand in Luzon and Mindanao while average prices increased 19% on higher input cost inflation.
- Meanwhile, Feeds revenues grew 11% to P5.2 billion driven by pricing which increased 18% compared to 2021, and versus input costs increase of 23%. As expected, this price adjustment had some unfavorable impact on volume which decreased 6%.
- Lastly, Farms revenues were down 32% to P529 million due to the shortage of day-old chicks.

#### **SLIDE 4 – Financial highlights**

Turning to costs:

- Our cost of goods rose 23% to P10.9 billion following higher sales volumes and input costs. Key raw materials including wheat, soybean meal, and corn, which comprised about 70% of feed costs, increased by an average of 25%. Price increases in fuel, energy, and labor also exerted further pressure on handling costs and the return of some post-pandemic operating costs, such as travel costs.
- Gross profit grew 24% to P1.1 billion and operating profit increased 21% to P223.2 million, which benefited from volume growth, pricing changes, and efficiencies.
- As a result, net income reached P129 million, up 44% over the previous year.
- At the same time, we invested a total of P257 million in capital expenditures, including expansion costs of P190 million.

Let me now move on to our growth strategies.

#### **SLIDE 5 – Agenda**

At last year's meeting, I spent some time outlining our strategy and, in this year's, annual report we discussed our progress in detail. Please allow me to mention some important milestones.

## **SLIDE 6 – Grow the core**

In the Feeds segment:

- We increased the number of our distributors, megadealers, and retail feed outlets in Visayas such as in Capiz, Aklan, and Central Negros.
- We also began a multiyear campaign that will establish our brand as “The Specialist in Animal Nutrition.”
- And as part of our approach to sustainability, we transitioned to reusable woven feed sacks from laminated bags to manage our product lifecycle.

In the Foods segment:

- We expanded our operations in various areas nationwide. This includes Catanduanes, Isabela, Sorsogon, and Greater Manila Area in Luzon, Samar and Leyte in Visayas; and Zamboanga City, Bukidnon, Marawi, Sultan Kudarat, and Sarangani in Mindanao.
- We also added several hotel, restaurant, and institutional customers—including some leading fast food chains, which underscores the demand for joint product development and customization.
- Finally, in November, we launched Cook’s Flavor Origins as part of our strategy to differentiate our chicken products at the retail level.

## **SLIDE 7 – Diversify into adjacent opportunities**

Some of the main uncertainties around the African Swine Fever (ASF) remained in 2022 and even into 2023. According to the Food and Agriculture Organization (FAO) of the United Nations, the disease continues to affect many countries across Asia including the Philippines which is why the growth prospects for pork production are limited and less robust prior its expected recovery by 2024.

In view of this, we have delayed our diversification into hog growing and production until the ongoing threats of the disease have been fully resolved. In the meantime, we focused on biosecurity measures by initiating information campaigns to raise awareness and to support effective on-farm biosecurity practices.

#### **SLIDE 8 – Transform the cost base**

To manage the fluctuations in prices and availability of raw materials, we continuously optimized efficiency between different core ingredients for feeds as well as expanded our supplier base for key raw materials. We also worked with strategic alliances to bring in dry bulk commodities by aggregating our requirements with other parties to benefit from economies of scale and achieve sourcing efficiencies. Alongside this, we completed the construction of a new warehouse in Davao, which is now our largest nationwide, primarily for the higher inventory requirement.

#### **SLIDE 9 – Enhance risk management processes**

Over the course of the year, we invested in transformative technologies and processes aimed at enhancing risk management and building relevant digital capabilities in the areas of supply chain management, innovation, brand building.

Examples of the initiatives we implemented across the company include:

- digitization of processes and workflows
- automation of the distributor management system for sales order validation and inventory management; and
- deployment of the Oracle Process Manufacturing, and the Advanced Supply Chain Planning application as well as the integration of other modules

#### **SLIDE 10 – Invest and adapt for the future**

To benefit from our integrated business model, we pursue a growth strategy that will allow us to continue improving.

Specifically for Bulacan, we installed new machinery and additional facilities for blast freezing and cold storage. On the automation front, we developed a comprehensive dressing plant management system to improve the accuracy of reporting and product inventory—from receiving of live birds to inventory management and further processing.

In Iloilo, we have been able to commission our solar energy project within the feed mill plant. It now produces approximately 16% of the site's total annual power consumption. In 2023, we will be evaluating proposals for solar power in our Davao feed mill plant.

#### **SLIDE 11 – Create shared value**

Finally, as we improve our business resilience, we make sure that our way of working is in a manner that creates value for our customers and stakeholders.

That's why being our framework for responsible production, we maintain certifications to international food safety management systems for all our owned properties. For our feed mills in Iloilo and Davao, our ISO 22000 certifications were renewed on schedule, which are now valid until 2025. For our dressing plants in Bulacan and Davao, our yearly audits against HACCP standards were also successfully completed by an independent third party as well as by the National Meat Inspection Service of the Department of Agriculture. These dressing plants were also certified to Halal standards.

#### **SLIDE 12 – Cover page**

All in all, we look confidently to the future. We are entering a new phase of growth and profitability not only in 2023 but also beyond. This is because we have the right strategy and the right team. And together, with drive and focus, we can work towards a sustainable food system for Filipinos and continue to live our purpose to forge livelihood and nourish lives.