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Monde Nissin Corporation MONDE

PSE Disclosure Form 4-29 - Disbursement of Proceeds and Progress Report
References: Memorandum No. 626 - 2007 dated December 20, 2007
Section 4.4 of the Revised Disclosure Rules

- Annual Report
 Quarterly Report
 Others -

Subject of the Disclosure

Annual Report on the Use of Proceeds from Monde Nissin Corporation's ("MONDE's") Initial Public Offering ("IPO")

Background/Description of the Disclosure

In compliance with the PSE's Notice of Approval for MONDE's IPO on June 1, 2021, MONDE hereby submits the following documents relating to the application of net IPO proceeds for the year ended December 31, 2021:

1. CFO Letter-Certification; and
2. Report-Certification of the External Auditor, SGV & Co.

Other Relevant Information

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Filed on behalf by:

Name	Aaron Jeric Legaspi
Designation	Alternate CIO



MONDE NISSIN CORPORATION

Felix Reyes Street, Brgy. Balibago
City of Santa Rosa, Laguna
4026 Philippines

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January 31, 2022

The Philippine Stock Exchange, Inc.
PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, 1634
Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosures Department

Subject: **Application of IPO Proceeds Annual Summary**

Ladies and Gentlemen:

In connection with Monde Nissin Corporation's ("**Monde's**") Initial Public Offering ("**IPO**") on June 1, 2021, we submit herewith our Annual Summary of the application of the proceeds from the IPO ("**Annual Summary**"). Accordingly, as of December 31, 2021, the application of the net IPO proceeds is broken down as follows:

Use of Proceeds	As of December 31, 2021
Total Proceeds (3,600,000,000 shares @ ₱13.50)	₱48,600,000,000
Less: IPO related expenses	
Underwriting and selling commission fees	1,637,323,567
Professional and accounting fees	199,451,322
PSE listing and processing fees	164,725,351
SEC registration and listing fees	20,607,642
Miscellaneous expenses	1,345,722
Net proceeds after IPO expenses	46,576,546,396
Payment of GIC Note	13,351,934,700
Payment of term loans	22,041,256,685
Payment of Fixed Assets:	
APAC BFB	
Capacity increase and innovation – Philippine operations	2,330,711,483
Capacity increase and innovation - Thailand operations	460,209,490
Operational efficiency initiatives – Philippine operations	319,314,271
End-to-end supply network redesign – Philippine operations	57,822,807
Meat Alternative	
To expand capacity	775,274,544
To improve manufacturing and new product development capabilities	408,683,220
To reduce emissions across the supply chain	3,910,236
Total	6,827,428,960
Unrealized foreign exchange gain	77,231,101
Unused Proceeds as of December 31, 2021	6,904,660,061

In compliance with the conditions of the Philippine Stock Exchange's IPO Notice of Approval, the undersigned hereby certifies the foregoing as true and correct based on available records. Likewise enclosed is the certification from Monde's external auditor, SGV & Co., in connection with the Annual Summary.

We trust that you find everything in order.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jesse C. Teo', with a large, stylized initial 'J'.

Jesse C. Teo
Chief Financial Officer

REPORT OF FACTUAL FINDINGS

The Stockholders and the Board of Directors
Monde Nissin Corporation
Felix Reyes St., Barangay Balibago
Santa Rosa, Laguna

We have performed the procedures agreed with you and enumerated below with respect to the Annual Summary of the Application of Proceeds from the Common Shares Offering (the "Annual Summary Report") as at December 31, 2021 on the use of proceeds from and expenses related to the initial public offering (IPO) of common shares of Monde Nissin Corporation (the "Company" or "the Corporation" or "MNC") at the Philippine Stock Exchange on June 1, 2021. Our engagement was undertaken in accordance with Philippine Standard on Related Services (PSRS) 4400, *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*. These procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange's requirement to submit an external auditor's certification on the information being presented by the Company relating to the Annual Summary Report as of December 31, 2021.

Summarized below are the agreed-upon procedures performed and findings on the Annual Summary Report as at December 31, 2021 as prepared by the Company and which is presented as Annex to this report.

Procedures performed

1. Obtained from management the Annual Summary Report as at December 31, 2021 showing the following information:
 - a. Total proceeds as of June 1, 2021, the IPO date;
 - b. Detailed schedule and description of disbursements for the period June 1, 2021 to December 31, 2021 (the period);
 - c. Amount of disbursement for the period; and
 - d. Balance of net proceeds as of December 31, 2021.
2. Checked the mathematical accuracy of the Annual Summary Report.
3. Compared the disbursements as indicated in the Annual Summary Report as at December 31, 2021 to the detailed schedule of disbursements during the period.
4. Traced the disbursements in the detailed schedule of disbursements to the supporting documents such as cash disbursement journals, billing statements, invoices, check vouchers, official receipts and bank statements, and agreed the amounts to the list of disbursements.

5. Obtained a complete list of bank accounts, where the IPO proceeds are maintained and traced interbank transfers to bank statements. For bank transfers denominated in foreign currency, checked that the correct exchange rate was used based on published rates.
6. Traced the remaining balance of the net proceeds as of December 31, 2021 to the bank statements as of December 31, 2021.
7. Obtained the list of Board of Directors minutes of meetings for the period and reviewed if there were reallocations or changes in the schedule of planned use of proceeds from the Offering.
8. Compared the disbursements in the Annual Summary Report as of December 31, 2021 to the use of proceeds section of the Offering Circular, as updated for any reallocations as approved by the Board of Directors.

Findings

1. With respect to item (1), we were able to obtain the Annual Summary Report (see Annex) showing the following information:
 - a. Total proceeds as of June 1, 2021, the IPO date;
 - b. Detailed schedule and description of disbursements for the period June 1, 2021 to December 31, 2021 (the period);
 - c. Amount of disbursement for the period; and
 - d. Balance of net proceeds as of December 31, 2021.
2. With respect to item (2), no exception was noted.
3. With respect to item (3), no exception was noted.
4. With respect to item (4), total capital expenditures for the period ended December 31, 2021 amounted to ₱4,356.0 million (see item 8 below). We noted the following:
 - a. Meat Alternative - ₱1,187.9 million
 - i. Out of the ₱1,187.9 million capital expenditure of the Meat Alternative segment that was charged against the IPO proceeds, ₱907.0 million (76%) were traced to supporting documents (i.e. supplier invoices). The remaining ₱280.9 million for which supporting documents were not provided pertains to various expenditures (e.g. payroll of employees assigned to projects related to Meat Alternative, building and capital maintenance, purchase of equipment, etc.) and other adjustments.

- ii. Out of the capital expenditure amounting to ₱1,187.9, ₱781.1 million (66%) were traced to bank statements. The unpaid capital expenditure as of December 31, 2021, reflected in Findings 4.a.ii in the Q4 Report of Factual Findings issued January 17, 2022, amounting to ₱157.5 million, were initially tagged as unpaid in the detailed schedule of disbursements provided by management. Out of the ₱157.5 million, ₱88.7 million (56%) was subsequently traced to the bank statements and was paid as of December 31, 2021.
 - iii. Disbursements of the Meat Alternative segment include payments on capital expenditures made prior to the receipt of the IPO proceeds (i.e. from January to May 2021) amounting to ₱502.9 million. These were initially paid out of the Meat Alternative segment's operating funds and subsequently charged against the IPO proceeds. Out of the ₱502.9 million capital expenditures, ₱326.0 million (65%) were traced to the payroll summary file, related invoices and purchase orders when the funds were originally disbursed. We noted no exception.
- b. APAC BFB - ₱3,168.1 million
- On August 9, 2021, the Board of Directors (BOD) of the Company approved "the transfer from the IPO Proceeds to the operating cash of the Corporation, such amounts of capital expenditure paid by the significant subsidiaries of the Corporation during the year using their respective cashflow".
- i. Following the BOD resolution, capital expenditure amounting to ₱954.0 million spent by Monde Nissin Thailand (MNTH), Monde M.Y San Corporation (MMYSC) and Monexco International Company Limited (MIL) as at December 31, 2021 were transferred to the Corporation's operating fund. We traced the above amounts to the related invoices, purchase orders and bank statements when the funds were originally disbursed by the Subsidiaries using their operating funds.
 - ii. The ₱3,168.1 million disbursement from the IPO proceeds includes ₱90.9 million transfer to the Corporation's operating fund relating to unpaid capital expenditures as of December 31, 2021. Out of these unpaid capital expenditures, the Corporation has paid ₱33.3 million as of January 31, 2022.
5. We respect to item (5), we noted that the Company invested the IPO Proceeds in the following accounts:
- a. Savings account with local banks;
 - b. Foreign currency denominated savings account; and
 - c. Derivative investment and trust funds to reduce negative carry adhering to the following investment principles: no mark-to-market risk, short tenor of up to 180 days and principal protection.

No exception was noted.

6. With respect to item (6), we noted a difference of ₱16.6 million and ₱0.2 million pertaining to interest income earned by the Company on its cash in bank and investments and required balance to open a bank account, respectively, which were not considered as part of the proceeds from the Offering.

7. With respect to item (7), we noted the following:

- a. On a board resolution dated August 9, 2021, the Board of Directors approved the change in use of IPO proceeds previously earmarked for capital expenditures to prepay outstanding principal of remaining term loans amounting to ₱15,564,468,459 as well as accrued interest. This action was done to avoid the significant negative carry associated with large cash balances as these have substantially lower investment returns than the interest payments on the outstanding debt.

In the same board resolution, the Board of Directors confirms that there is no change in its planned capital expenditures as stipulated in its final IPO prospectus on file with the Securities and Exchange Commission. Thus, the ₱15,564,468,459 capital expenditure fund that was reallocated to loan payment shall be financed using the operating fund.

- b. In a board resolution dated November 23, 2021, the Board of Directors approved the change in use of IPO proceeds previously allocated for “certain capital expenditures to expand the capacity of its Meat Alternative business” amounting to ₱7,105.0 million to “operating expenditures (not in excess of ₱4,100.0 million) relating to, and/or capital expenditures to expand the capacity of, its Meat Alternative business”. This reallocation was done, “concurrent with MNC’s plan to expand the manufacturing capacity of its Meat Alternative business, to engage in activities that will accelerate consumer demand and consumption of its Meat Alternative products in the US and UK (including but not limited to spending for brand building, new product development, influencer partnerships etc.).”

In the same board resolution, the Board of Directors confirms that there is no change in its planned capital expenditures amounting to ₱7,105.0 million to expand the capacity of its Meat Alternative business as stipulated in its final IPO prospectus on file with the Securities and Exchange Commission. The same will be funded from MNC’s operating cash in lieu of IPO Proceeds in the event the IPO Proceeds will not be sufficient to fund the same.

The revised allocation based on the approved changes in the use of proceeds during the period ended December 31, 2021 is presented below:

	Allocation per prospectus	Adjustment (August 9 resolution)	Adjustment (November 23 resolution)	Revised Allocation of IPO Proceeds
<i>(in ₱ millions)</i>				
Capital expenditure				
Meat alternative	₱15,718.0	(₱9,225.2)	(₱4,100.0)	₱2,392.8
APAC BFB	10,801.0	(6,339.3)	–	4,461.7
Operating expenditure				
Meat alternative	–	–	4,100.0	4,100.0
	26,519.0	(15,564.5)	–	10,954.5
Redemption of convertible note	13,351.9	–	–	13,351.9
Loan payment	6,476.8	15,564.5	–	22,041.3
IPO related expenses	2,252.3	–	–	2,252.3
	₱48,600.0	–	–	₱48,600.0

8. With respect to item (8), we present below the summary of the breakdown and application of the IPO Proceeds as of December 31, 2021 based on the information we obtained from the Company.

	Revised Allocation of IPO Proceeds	Application of IPO Proceeds			Total	Unused IPO Proceeds as of December 31, 2021
		2021 Q2	2021 Q3	2021 Q4		
<i>(in ₱ millions)</i>						
Capital expenditure						
Meat alternative	₱2,392.8	₱–	₱–	₱1,187.9	₱1,187.9	₱1,204.9
APAC BFB	4,461.7	1,238.9	1,138.9	790.3	3,168.1	1,293.6
Operating expenditure						
Meat alternative	4,100.0	–	–	–	–	4,100.0
	10,954.5	1,238.9	1,138.9	1,978.2	4,356.0	6,598.5
Redemption of convertible note	13,351.9	13,351.9	–	–	13,351.9	–
Loan payment	22,041.3	4,126.4	12,223.6	5,691.3	22,041.3	–
IPO related expenses	2,252.3	1,535.7	347.2	140.6	2,023.5	228.8
Foreign exchange gain	–	(22.4)	(51.9)	(3.0)	(77.3)	77.3
	₱48,600.0	₱20,230.5	₱13,657.8	₱7,807.1	₱41,695.4	₱6,904.6

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the Company's financial statements.

Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you. This report is intended solely for the purpose set forth in the first paragraph of this report and should not be used for any other purpose or be distributed to any other parties who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the accounts and items specified above and do not extend to any financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.



Editha V. Estacio

Partner

CPA Certificate No. 91269

Tax Identification No. 178-486-845

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 91269-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-094-2020, July 27, 2020, valid until July 26, 2023

PTR No. 8853492, January 3, 2022, Makati City

January 31, 2022

Annex: Annual Summary Report as at December 31, 2021

Use of Proceeds	As of December 31, 2021
Total Proceeds (3,600,000,000 shares @ ₱13.50)	₱48,600,000,000
Less: IPO related expenses	
Underwriting and selling commission fees	1,637,323,567
Professional and accounting fees	199,451,322
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Miscellaneous expenses	1,345,722
	2,023,453,604
Net proceeds after IPO expenses	46,576,546,396
Payment of GIC Note	13,351,934,700
Payment of term loans	22,041,256,685
Payment of Fixed Assets:	
APAC BFB	
Capacity increase and innovation – Philippine operations	2,330,711,483
Capacity increase and innovation - Thailand operations	460,209,490
Operational efficiency initiatives – Philippine operations	319,314,271
End-to-end supply network redesign – Philippine operations	57,822,807
Meat Alternative	
To expand capacity	775,274,544
To improve manufacturing and new product development capabilities	408,683,220
To reduce emissions across the supply chain	3,910,236
	4,355,926,051
Total	6,827,428,960
Unrealized foreign exchange gain	77,231,101
Unused Proceeds as of December 31, 2021	6,904,660,061