



Monde Nissin

Transcript of Monde Nissin Corporation (MONDE)  
First Quarter 2022 Earnings Call  
May 11, 2022

This transcript has been edited for clarity. Please refer to the webcast recording, which is the valid, more accurate record. This document is subject to the same terms and conditions.

## Participants

Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation

Henry Soesanto - Executive Vice-President and Chief Executive Officer, Monde Nissin Corporation

Jesse Teo - Chief Finance Officer, Monde Nissin Corporation

Marco Bertacca - Chief Executive Officer, Quorn Foods

## Presentation

### **Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Good day and welcome to Monde Nissin's First Quarter 2022 Earnings Call. I'm Mike Paska, Director of Corporate Business Development and Investor Relations. On today's call are Henry Soesanto, Chief Executive Officer; Jesse Teo, Chief Financial Officer; and Marco Bertacca, Chief Executive Officer of Quorn Foods.

By now, everyone should have access to the earnings press release and today's presentation. These are posted on the PSE EDGE website and they're also available on Investor section on Monde Nissain's website at [www.mondenissin.com](http://www.mondenissin.com).

Just as a reminder, before we begin, please note that the financial information presented is unaudited and during the course of this call, management may make forward-looking statements based upon current expectations and assumptions. These are not guarantees of

future performance. I encourage everyone to read the legal disclaimer at the beginning of today's presentation.

Now, I'd like to turn the call over to Henry for introductory remarks. Henry?

**Henry Soesanto - Executive Vice-President and Chief Executive Officer, Monde Nissin Corporation**

Thank you, Mike. And good afternoon, everyone. We have seen a strong start to the year in terms of top-line growth. For our APAC businesses, we have seen growth across all of the major categories. For our Meat Alternative business, the retail conditions remain challenged. However, we have maintained our market shares and have been continued strong growth in our food service business.

While the inflationary environment and supply chain challenges persisted, these are being actively managed with a number of tools, including a proactive procurement strategy, like opportunistically locking in prices, maintaining ample inventory levels of critical inputs, and executing cost optimization measures.

While being mindful of our consumers, we implemented price increases when warranted. And now I would like to turn the call over to our CFO, Jesse to provide more details for our APAC BFB businesses. Jesse, please.

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

Thank you, Henry. And good afternoon to all. Welcome to the first quarter 2022 earnings release presentation. Just before I start with the formal numbers, I just like to show a different view of four key metrics, especially on the bottom line metrics. Now for net sales as we'll talk about later on in more detail. It doesn't matter how you look at it, whether it's versus year ago or versus previous quarter, we would have shown growth. In fact, since the time we started reporting, we have been resetting the -- our all-time high sales, quarter sales almost every quarter. But from a bottom line standpoint, since the inflationary environment has started, this -- the increases have been faster and steeper. So it's very difficult to look at it on a year-on-year basis. We'd rather like to look at how we are progressing quarter-on-quarter.

So if you look at our gross profit for instance, while on an absolute basis, our gross profit on consolidated basis was down 4.3%. It is up by 7.1% quarter-on-quarter, showing good progress because of our costs initiatives, cost optimization initiatives in our pricing action from percentage base standpoint as well. We were declined by 4.2 percentage points year-on-year, but it's sought we show a solid 1.5% improvement in our gross profit -- gross margin quarter-on-quarter.

On core net income. Again the same story, while it's down 13.5% versus year ago, largely because of gross profit and investments in SG&A, quarter-on-quarter we improve nearly 100%

at 98.4%. And from a margin standpoint, the quarter-on-quarter progression was 5.6%. This brings about a reported net income improvement of nearly 155% quarter-on-quarter and almost flat versus year ago. Now obviously for net income, we are excluding non-core items in the base period, you will recall that we called out as a non-core item Arran convertible note related expenses. So, we have classified at -- continue to classify that base charge as non-core, and therefore, it does not affect our core net income, but it does help us on a reported net income basis.

Next slide please. So, as mentioned by Henry that we have solid top line growth 7.2% highlighted by APAC BFB's growth of 8.6%. Later on, we'll also talk about the quality of this growth and how this growth compares to a longer term look. So, we reported 8.6% growth versus year ago, and 5.9%, within that domestically, which accounts for 94% of APAC branded food and beverage we grew 10.5%. This is our domestic Philippine business. It is very robust. And it's growing not only in volume, but on pricing. So we did not feel the ill effects of pricing on volume, we grew both ASP and volume.

For Meat Alternative, we reported 2.1% growth on top line organically though this is down by 1%, FX help us in this regard. Quarter-on-quarter this reflects the challenging retail environment, particularly with the U.K. and Marco will drill down on that later on. Organically, we were down 10%. With the FX help, we are down 8.6%.

I mentioned already the trends on bottom line. But we would like to highlight a couple of things on core net income and core net income attributable to shareholders. Recall that we made an acquisition of one of our key subsidiaries Monde M.Y. San. in January of last year, for a year ago comparison, there is still some benefit to that, as we had 11 months of effect in 2021. And now full 12 months of effect in 2022. Because of that one month difference, our core net income at ownership is has a lower decline than a core net income. On the non-core items, we have some one-offs FX related and derivative related in some tax that are slightly better than our sustainable tax rates that we classified as non-core. That brings our reported net income to Php 2.3 billion or 12.8% margin on a reported basis.

Next slide please. Zeroing in on APAC branded food and beverage, I already mentioned that this is highlighted by the robust growth in the domestic business. Again, the domestic business is by far the biggest part of our business, it's 94% of our APAC branded food and beverage, and it's growing double-digits. All the key categories are growing both volume and value.

For noodles, despite the high base brought about by increased usage during the pandemic, we were able to tap both volume and value. Biscuits is another great story because of decreased mobility restrictions, people are out more, the constraints on demand were lifted as well. And biscuit volume growth is now has reached pre pandemic levels. So we have seen the market the category itself is growing and we are growing along with it.

We are also seeing further growth for culinary and packaged cakes. And moreover in these categories, we're not only showing volume growth, and sales growth, but also share growth,

and we'll talk about that later on. The low light for our top line is the international business. As a lot of you may be aware, there are shipping constraints happening in the world today so shipping our products to farther away geographies, like the U.S., like Europe has been a challenge and this has significantly affected our international businesses.

We have implemented price increases. In January, we implemented 3% to 4% across our product lines. In April, end April, we implemented under 5% to 8% depending on category depending on SKUs across our bottom line. You see, because our year ago margins is still down, and the costs are continuing to go up, we need to implement those price increases in order to recover costs. We will not be able to maintain or based on projections, we will not be able to maintain margins, but gross on an absolute basis we target, we endeavor to keep them whole or slightly growing.

Next slide please. So this is a longer term view of our top line growth. We have been growing from strength to strength to strength. Some -- there are a lot of good top line progress in a lot of good -- a lot of companies. But usually this is off very low bases because of the pandemic. You will see that pre pandemic, from pre pandemic to post pandemic we have been resetting our quarterly historical, highest, highest sales quarter. And we have been growing whether it's quarter-to-quarter, year-on-year, and so the base just keeps on getting higher. Moreover, as I mentioned earlier, this is balanced growth. We have pricing growth 4.9%. But we also have volume growth across all major categories.

Next slide. Now reporting on shares. For noodles and biscuits, our two biggest categories. We had shared declines, while we have share progression in the rest of our business. Let me talk about the share declines in our key businesses first. For noodles, we have been under pressure from value plays of key competitors. I've mentioned already that we have a sizing and pricing portfolio gap. We have been testing it in some parts of the Philippines northern and central Luzon, and we are now ready to roll it out. And you will see in the picture two variants, our most popular variants, the calamansi variant and the hot and spicy variant in the bigger sizing and pricing pack we call Kasalo pack. This is now, as of April, available nationwide so we should have a more meaningful play in this sizing and pricing segment.

We have good data from our tests that cannibalization is minimal. And so we are very happy to roll it out nationwide. We also introduced our Milky Me variant which we introduced. This is a premium product, but it's -- what we believe a very much value play, because it adds the goodness of milk to our very affordable instant mami portfolio. For biscuits, I mentioned earlier that the mobility, mobility increase has helped the category tremendously. We grew along with it but our base is a bit stronger and more resilient. And that's why other brands grew a bit faster hence the share loss. These are case of everybody trying to catch up. We have to grow even faster. Well hopefully, with our campaigns in the coming months, grow faster than what the category is growing.

Some key highlights on shares is on culinary -- would be on the others part of our business. Culinary which represents 5% of our business has now reached 60% share. This is on Oyster

Sauce product. Now our strategy is to be able to use the same magic that we did with Oyster Sauce across the other portfolio of Mama Sita products, and we are very excited of the possibility what we have done to Oyster Sauce we should be able to do with our -- with other product lines of Mama Sita.

Beverage, which is 8% of our sales in the Philippines, has now close to 90% in Yogurt Drinks, and we have strengthened our position during the pandemic. And now with the mobility restrictions gone, the demand for this is going up and that's why we are rising higher than the tide has increased. We are also happy to report that for Cultured Milk, we are now the same share level almost the same share level as year ago. Recall that we reported supply chain hiccups as our cold chain cultured milk product is sourced out of Thailand in the COVID situation there cost a lot of supply hiccups, especially for our cold chain product. This is now a thing on the past we have more regular supply, and we are now gaining lost ground very fast.

Next slide. Commodity costs continues to increase fast and steep. Last time, we shared that raw materials is about half of our COGS and just the two materials palm oil and wheat has, it constitute 40% to 45% of our raw material costs. Recently, most of you have read that Indonesia has further exacerbated the palm oil prices in the world market by banning the export of palm oil. So far, there is no indication of supply disruption. But the prices -- the spot prices has escalated even further. We don't foresee any disruption for wheat, most of our wheat, all of our wheat actually is sourced from North America far away from the conflict. And we do not source black sea wheat where which is the most affected by the conflict.

Moreover, on lock ins, we have secured our supply until the end of Q3. This year for palm oil largely for Q3 we have locked in and we have locked in parts of Q4. Again because of the nature of the increases, our locked ing prices are significantly higher than year ago, but significantly lower than spot. Henry talked about supplier management and development of alternative suppliers, whenever possible, we are increasing our supplier base.

And you'll see some good examples of that when we talk -- when Marco talks about Meat Alternative. And we are also proactively working with our suppliers. We are making sure that we treat our suppliers correctly pay on time. And that's why we need the cash, the cash buffer which stands now at Php 13.5 billion. We have step up pricing action. As I mentioned earlier, again, in January a 3% to 4% price increase another and by the end of April, a 5% to 8% depending on the SKUs involved.

Next slide. I now turn it over to Marco who will talk about the Meat Alternative business.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Marco, I think you're might be on mute. We're not hearing you.

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Can you hear me now?

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Yes. Now you're good. Thank you.

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Okay. Apologies for that. I already started a beautiful introduction. So, very happy to give you some background about what is happening in the market. As you can see, we are reporting -- let's say some growth compared to a year ago, but this is in fairness, just influenced by Forex. In fact, as Jesse was saying we are kind of flat or just 1% behind on year-on-year. But if you look at the challenging quarter we had is very much related to the challenges that we have in the category.

I'll talk a little bit about the Meat Alternative category of course, but still we are doing a lot of progress also to continue to drive that growth into service. And you'd see that I'll share something about the difference between a challenging environment in retail as influenced by a lot of the activities that are happening there. And the economic circumstances, but also our focus on foodservice and the fact that we are currently able to really grow very, very strongly in foodservice and in fact very, very happy to report that we already have achieved 120% growth in the foodservice and QSR growth.

Another area that I want to highlight is a strong recovery of the gross profit. You can see on the slide that we are reporting a 38% in the first quarter. This is really up compared to the last quarter of 2021, which was 32.6%. As Jesse was highlighting this is very important for us. We want a sustainable business in the future for us, running at solid gross profit is crucial. The market has seen inflationary rate that continue to drive input prices up. The result of that you can see already in this quarter at the beginning of 2022, is the result of the first price increase that we've taken. We already seen in March, a bit of a decline in the gross margin percentage. That's why we're currently working on a second price increase that not just in the U.K., but also in some of the other markets.

So it is a very volatile in our food prices, I share with you a little bit later is that is really on the up. And that's why for us taking actions to strengthen, continuously strengthen our gross profit is very important. This is also the fact that we're able to do that, the fact that you already see the results in quarter one is also linked to the strength of our brand.

And we have the very, very important, we have the number one position where we are entertaining conversation with the retailers in particular, we know that we are important for them, they are important for us being the number one is a crucial place to be. There is a lot happening in the market, in particular, during the challenging times or a category that is not

growing, where we believe we have a stronger position than some of the smaller entrant brands that are coming in the market.

Overall, you can see that our core EBITDA is being impacted by of course, the lower gross profit, and also the fact that we've continued to invest for the long-term. We have started to phase our investment profile, I will share some more detail later with you at the beginning of 2021, we're really into investment mode for growth. Now, we are really focusing on getting the fundamentals of the business ready for the future growth.

So, some of the future investments we are still doing and some of the investments that are more related to other elements we are delaying or basically we are phasing our investments as we speak. Next slide please. This is an extremely complicated slide, but I will try to explain the key message of it. So you see, this is a one year overall that you see on the horizontal axis, divided by quarter. And we really try to overlay the '19, '20, '21 and '22 because what is really crucial is one thing is to compare what has happened during the pandemic years, but what is really important for us to check is how are we doing compared with the pre-pandemic time and what is also happening to the shopper habit during in the phases where the pandemic is not there anymore.

So if you start with the overall, so first of all, this is the U.K. alternative market is the Meat Alternative market. So this is what we're trying to share with everyone. You can see in particular, if you follow the quarter one, which is where you also see the orange line, which is the 2022. So you see an overall market that is ahead of '19 and '20 but is behind '21. And this is the fundamental element why our growth has been lagging compared to the previous year. And we had a market that overall, the grocery market is very challenged and the Meat Alternative market is being challenged in the first quarter because the first quarter has seen a shift from the retail growth that was occurring during the COVID into an out of home food service shift.

So we've seen a rebalancing of business that is transferring to the out of home. What is also interesting to see if you look at the focus on quarter two, there's been a lot of disruption during the last two years, it's very, very difficult to track exactly the month-by-month numbers and growth numbers because they're very much related also to the element of closing down or opening up the market.

And then what we see in the rest of the year, let's say quarter three, we see that overall and that's one of our big beliefs, overall the market will stabilize, it tends to stabilize outside of the COVID period of course we have other dramatic event currently that are driving a lot of inflationary pressure, but we leave that the shopper habit in particular stabilizing the balance between out of home and retail, what is also very important for us is to see the development of the food service market and again will share some more information about it. Next slide, please. So this is giving you a bit of a macro picture of the Meat Alternative market, why I focus very much on the U.K. because the U.K. first of all is 80% of core, is our core market, this is where it is for us is extremely important to continue to grow.

And also because it's a very, it's the most mature market, is the most advanced market globally. So that's why we believe that it's trend that will also then influence the trend in some of the other markets. So what is currently happening? I'm not, I'm sure you've seen a lot of the news recently consumer confidence is very fragile in the U.K., it is also fragile in the U.S. at the moment overall. What is particularly crucial in the U.K. is the food inflation, food inflation is really hit is predicted to arrive to there are different numbers, of course, floating from different forecasts, but it will continue to grow in the next few months.

So consumers really have to make choices, they have to make choices about what goods do they buy, where do they buy, how much do they buy, so there are some fundamental elements that see for the first time actually quite a long time, the retail environment really, really under pressure. The U.K. retailers have reported higher profits that were related to last year. But so they also are quite reluctant to put the prices up in the market. They're trying to manage that. But the overall ability that they will have to pass through those prices that are driven ultimately by the raw material increases on to the market. So an overall high food inflation market that we see. And there's an overlay of some tax increases and interest rates.

So there is overall low growth predicted in 2022 and actually 2023. So this is the overall environment that we are in. One thing that I just want to add that building on what I just said earlier is, of course, it's a challenging environment. But ultimately it is what do you do with those environment that as soon as your company that a company that do not go in, and we believe we have some very, very important characteristics first being number one in [indiscernible] is crucial as we sign, we have an important place on the shelf, the shelf is currently being looked at is being consolidated.

So we are the one that we believe we're going to, we're going to benefit from that, the overall the Meat Alternative market is declining at the moment in the U.K. But we also believe that it is a long-term trend, its growth it will continue. So we really believe it's a very, very special time that we are experiencing. Next slide please. So what are we doing that to be able to thrive in this environment to come out stronger at the end. So first of all, I want to talk about the path on the right, which is protecting cash and protecting profit.

So we are prioritizing the investments as I said earlier, so we are delaying some of the longer, some of the CapEx that we can delay and we are prioritizing long-term capacity projects. So we are pausing some of these investments. But some of the investment for example, in innovation that we believe are very, very important to do now because they will deliver higher growth in the future, we continue to do. So it's not about stopping investment. It's just about phasing those items that will give long-term capacity, we can pay them a little bit more in the future.

In terms of protecting the profit, clearly price increases are very, very important for us. We discovered unfortunately, we became better at that. And the fact that we already getting the benefit in the first quarter is significant. We are already working on the second one that is going to happen in 2022. And it's absolutely important that we do it in a collaborative way with our



customers and that is what I also am happy to report that this is also what is currently happening.

We are tightening up our expenditures, so we're looking at a better way to spend our money in difficult times, it's always good to look at every area. So we are really looking at SG&A, we're looking at efficiency programs that were accelerated. So we really want to optimize the asset base that we have, we have a very, very strong position and we want to protect our profitability. This is crucial for us. And that's why you already see that we are back at 38%. Of course for us, it's also important to continue to drive distribution, and I'll give you some more detail about that.

In order to protect supply, I think even Henry mentioned that we are taking some contracts that on longer-term, so we are not particularly, we're trying to secure as much as possible into the future. And for one of our key material, which is glucose, that our glucose comes from wheat and that wheat is mainly in Russia and Ukraine, but we are using that three local suppliers actually two are in the U.K. So, we had quite a secure base for glucose, we also switched from Sunflower oil to rapeseed oil, and that is also giving us some certainty about let's say the supply and the fact that we have availability of product that we can continue to supply the product.

Now, last but not least, one thing that is very, very important for us is, we have seen a tightening of the economical possibilities of consumers and also of our people. So what we have decided to do is to look at clearly look after our people, so we decided to face and give our lower paid employees that didn't offer the higher than average increase combined with a one-time benefit, a one-time bonus in order to be able to absorb or to be able to continue with that affordable spending, just strengthen the economical position and we have reduced the minimize I think to zero the top earners in the company.

So we have skewed our salary increases towards the bottom of our pyramid of colleagues. Now, we see some positive signs that it's always very difficult to predict also the trends of the raw material increases in particular energy and gas are very, very difficult to predict, we have decided to take very important positions and but we remain, we actually review that on a weekly basis just to see what is the outlook for the year, next slide please.

This is extremely important, for me I want to spend a little bit of time, it is when things get tough in particular, and in the market of alternative protein during these circumstances, it is crucial for us to retain the number one position. So I'm extremely proud actually to say that in March '22, we have been able to grow the total retail market share for us. So we're back at 31% this is super crucial, this happened, so we have increased market share both in frozen and chilled, this is the first time that on a quarterly basis we report the market share growth overall. So you can see that we are really focusing on strengthening the fundamentals. So a solid bottom line and the market share and growth. This is water for us in the U.K. is absolutely crucial. There are other markets or market winners, Richmond is doing very well and some other smaller market, smaller brands are really struggling. They're finding it difficult. They are

finding difficult to be on the shelf, because the shelf is being reviewed, they know everything has been optimized, but they also find difficult to put price increases in the market.

So one of the areas that we are looking at is of course we would see pressure growing into the next few months in the next probably 12 months on a private label. So we are really looking at how can we help the retailers to look at the category overall, focus on the big, big rotation items that the one that we provide and also, we know that they will have certain attention to the private label areas.

The second parts are very important for us that on the left because of the market share, and again, very, very critical for us, continue to increase distribution points. So here you see the trend of our distribution points. This is, for me, this is a certification of the fact that we have been able to do the price increases in collaboration with the customers, the first reaction that you normally get when you try to put price increases is okay, but we will delist some of the SKUs is a typical negotiation tactic.

The fact that we enable to put the price increases, increase our market share, and increase our distribution is really remarkable. And that's why you see that in March 2022, we have achieved one of the highest distribution points, we are growing 5,000 distribution points and more in Tesco, in Asda 2,400 and 3,200 in Sainsbury's. And there's more, more that we're planning for 2022 for the rest of the year.

Next slide, please. So, on top of the collaboration with the customers and increasing the distribution, NPD is a crucial role in this category. There's a very interesting conversation about, should we do NPD, when a category is not growing, I really think is very important. It is true that strong in inflationary pressures for consumers.

But it's also true that the typical consumer of the Meat Alternative is always looking for novelty. And they're always looking for new things to try. So you can see here, these are the top 10 retailer U.K. products, you can see that we have six out of the top, the top actually six on the top 20, we had four in the top 10, including number one, number two, number four, and number 9. They're very, very strong growth, the rest is really NPD, there's only one other brand in it.

So again, this is one of the ways for us includes distribution. And what is also very important is that our Crunchy Fillet Burgers, the rotation is very, very good. So it's really, it's really outselling the number two by three times, so it's really, really good product.

Next slide, please. So let's look at the U.S., the U.S. it is a very similar consumer confidence challenge, it has been a challenging quarter for us, you can see that from our share. So we've lost a little bit of share overall. And but the category is also quite under pressure. So it is an area for us that where we taking, we're taking a lot of attention.

Let's go back to some of the fundamentals, what is our priority number one in the U.S. is to grow our awareness. We are putting a lot of effort in there, I'm already happy to report that we've seen some movement in our awareness, we will report it next time because we want to have a couple of months or a couple of quarters of numbers before we can see a trend. That's not just a data point. But aided and unaided awareness is one of our critical points for us.

The other area that we can see is our product is really, really well rotating in those in the key customers that we have, you could see that both in that in Kroger and in particular, I would say we had a very, very good rate of sale of our product and more effort for us in the U.K., sorry in the U.S., I would not shy away from saying that lot, a lot of the U.S. distribution that we have lost in 2021 has been hitting for the last quarter. So one of the big effort is going to be in the rest of the year is how do we bring the distribution back up.

Next slide please. This is a crucial slide, we are planning to give you an update every time during this call and this is because we see, not just compared to the pandemic time, but in particular compared to 2019, we see that the role of Meat Alternative in Food service and QSR is becoming more and more relevant for a couple of weeks. Now to the right that you see, I'll describe some of the steps we're taking in food service and on the left on the KFC. Let's start with KFC, you see the different stages of because I'm trying to be as precise as possible, this could be quite, quite confusing the different stages of development within those international players.

There's a sample and trial stage, there's a limited time offer, and there's a launch stage and you can see that we had some steps where we were at quarter one, and you can see the steps that we have achieved -- sorry, quarter four last year. And now you can see the step that we have achieved at quarter one in 2022. So in particular, we have new sample and trials happening in Southeast Asia and Asia in general, very, very important for us. And I'm really excited about the fact that not only the U.K., not only Europe, but also KFCs, it's really driving together with us growth in Asia.

You see that the trials have become now limited time offers and then a number of limited time offers has become a launching quarter two. I've announced earlier this week, the official launch of KFC, our burger fillet, chicken fillet in Germany, Switzerland, Austria, Denmark and the Netherlands and more will be to come in also in Europe. So very good progress in KFC. But what I think is even more relevant is the sizable growth that we had in foodservice. So when you look at some of the activities that we've done in overall the foodservice market, is we have our best ever quarter. This is a 36% increase versus 2019, which is of course, is the last clean quarter before COVID.

What are the fundamental reasons for that is really because we have taken some big, big partnerships with Compass, with Sodexo, they really shared our approach in the sustainability in driving food, in driving good quality food across the different channels. And that is really helping us to make a very, very stronger progress with them and also in other type of food service businesses. Next slide please.

Yes, so overall, maybe I hand it over back to Jesse saying there are very critical circumstances in terms of the overall market, grocery market, meat alternative market. Quorn is very well-positioned to sail through it and get out on the other side on winning side, we have done that by growing market share in the U.K., by increasing distribution in the U.K. and by strengthening our gross profit overall as a company. And of course, we are preparing, and we are really working in particular in the foodservice area as you see to capitalize on the growth and it is clear that currently the grocery sector in the foreseeable future is really challenged with the much, very, very low consumer confidence.

Back to Jesse. Thank you.

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

So, at this point, we would like to just end the call by talking about our guidance, because of the volatility, again we will refrain from giving medium to long-term guidance. What we will guide though is domestically is that we continue to experience robust growth double-digit growth in April and in early May. So that trend has continued. Costs obviously has gone up even further. We have taken the price increase and we have guided that possible margin decline is expected because of the rate of increase of our key commodities.

So we will end with that with due to volatility and the amount of pricing that we take. We would rather err to the side of caution when guiding. We will be agile and respond to the market conditions whenever it's warranted, but maybe in short, but we will just pause with that kind of a short term guidance for this call.

So that ends our prepared remarks. Now we are ready for Q&A.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you Jesse. [Operator Instructions]. We already got several questions.

Marco, the first question for you and this is regarding the revenue split at Quorn between retail and versus foodservice and QSR?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes, thank you, Mike. The QSR and foodservice represent around 15% of the total business. But we see that they are, we are on the route to rebalance it. But that's the current number 15% of our total business is foodservice and QSR. The rest is retail.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, great. Thanks.

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

And just to add it was 7%, 93% year ago. So we have made a -- we have taken a lot of strides in rebalancing the portfolio.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thanks. Next question. Jesse it's for you. And is there anything you can say regarding how margins are faring so far in April? Have we seen any movement in margins?

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

Well, I cannot be specific in giving guidance. What I will say is that our pricing, which is 6% to 8% pricing, which is already out, was implemented in end of April, so practically the help on that in recovering the higher costs will only happen in May. So given that, actually, given the rising costs, actually, our pricing in April is lagging behind of May, but Q2 with the help of the pricing should have some kind of recovery versus April.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you. Marco, the next question is for you. And this is can you just comment on when was the first price hike implemented and by how much? I think this is one earlier this year? And then also, can you comment on what are the plans for a second price hike? And how much, anything you can say about the size of a second price hike?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes. Mike, thank you. I think as you can all imagine this, the both of the size and the overall approach on pricing is -- price hike is very difficult to share. Also, because it's very, very sensitive for different customers. Also, the timing of that depends on different countries. So for the U.K., we have some specific timing, for the U.S., and some for some contract we have. So it's really varied. So I can just say that towards the end of last year, we have implemented the first step, that's why you started to see some of the benefits towards the end and at the beginning of this year. We are working on a second one, but I don't want to be more specific because this is in the future.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, great. Thanks, Marco. Another question for you Marco is in terms of long term capacity projects, which are being put on hold and when would you expect those projects to resume?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Look, it is something that I just give you one very specific example too. So, we are -- we just have a commissioned and we have a full fermenter that is operational. We have also already started planning for the next fermenter. Now, in terms of that next fermenter, the only thing that we have put in order is the long term delivery parts. So for example, the construction of the overall shelf, so that one we put on order, but before we proceed with the next one, we want to of course have this fermenter four. So, that is one example.

One of the areas that we have decided to go ahead with is with the construction of an innovation center in the Netherlands. So, we are preparing for that, we are going ahead with that, because that would give us a new technology and new step changes. Also looking at some other aspect of fermentation, we continue to do.

Other elements of for example, in terms of our capacity, we have decided to insource a number of products that we had outside. So we are instead of adding capacity, we think about insourcing that will truly become much more in control of our supply chain and more efficient. Also in terms of improving further our gross profits on that. So that is in the card. And we -- I expect that we will come back to, I would say because those investment needs a bit of time probably towards the end of this year for other capacity investments. That we will continue also end of this year, second half and certainly the first half of next year as well.

I just want to highlight that the number of investments have already been done, and they will, they will, we will come up with some new product groups, and we have new project that will end up in 2022 already. So it's that a little bit the summary of our investment plans.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, great. And Marco, another question for you. And this is just your overall thoughts on long term growth, potential in Meat Alternative space next three to five years. And then how would you say Quorn would grow along with that space?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

It's fabulous and extremely difficult -- it's extremely difficult question. Also, because you may remember, I arrived here that there was a market that was growing at 40%. Everybody was talking about capacity. And then we're just two years later, through pandemics and unfortunately, a European war in Europe, and everybody's talking about, an alternative market that is currently for the time being declining. So you can just be sure that everyone that tells

you that they know exactly what's going to happen in the future is that you should just not believe them.

Okay, so with this disclaimer, what are my reflections. Everywhere I go, whoever I talk to in terms of consumer, customers, industry experts, grocery expert, food experts, I was in a summit in Birmingham the other week, we're really talking about some of the global challenges. They've not changed, they are exactly as they were two years ago. And we know that Meat Alternative is one of the fundamental elements that will help us to address some of the foods -- some of those global challenges.

So being the macro-economic of that how Meat Alternative fit in the global challenges in food, nothing has changed, which really going through about. Now so I believe in the growth of this category, 100% I do. How do I predict the numbers in the future? Actually, I have no idea. And I will not even try to tell you is it 13% to 15%? Is it 10%? Is it 15%? I don't know, what I do know is that we have a role to continue to play. We have a role to continue to be a sustainable company within the market, not a company that goes high and goes low from a quarter-to-quarter. We continue to be there, we continue to offer choice, availability, and affordability of our brand. And that will influence the market growth.

So I always say internally and externally is don't look too much about what the category is doing. Because we are the category, we drive it. So we need to continue to do the right job and the growth will come back, I'm confident about it.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you, Marco. Jesse, next question is in regard to our contract pricing for both wheat and palm oil. We are getting it at a discount to current spot prices. But can you comment on how our pricing that we're getting it at this year compares to what we were paying last year?

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

It's significantly higher, as I mentioned earlier than a year ago. It's significantly higher than a year ago, but significantly lower than spot based on our locking prices.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, great. Thank you. And then also staying on the topic of commodities and palm oil. Can you comment on how much palm oil we are getting from Indonesia?

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

So we don't buy palm oil directly ourselves. We buy it from refiners in the Philippines. I'm assuming because the global supply of palm oil is 50% Indonesia and 30% plus in Malaysia, that's the contribution of the requirements that they buy from, and because these are Southeast Asian countries, this is the most logical source of palm oil.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay. Thank you, Jesse. Marco, next question is for you regarding brand building, leading to losses. I guess previously, it's -- it was mentioned that this would not take place where brand building would result on losses. Do you -- how do you -- how should people view this going forward in terms of the amount being spent on brand building and how it will impact our profits?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes. So I think the -- we've always been very clear that our -- one of our distinguishing factor for Quorn globally is that we have a very, very solid gross profit. And this way, I will always go back you would see me being very, very consistent from the first time we talked. Our gross profit is our anchor point. Because when our gross profit is a solid in the regions that we discussed in the past that you've seen a 38% in quarter one, you know what we're aiming for, we're discussed this last time. After that, we can decide to open up or not open up the investment plan. So that's the first reference I'd make.

The second point is not just about is not the same play everywhere. We have confidently decided to go for brand awareness building in the U.S. that we don't just do it quarter-by-quarter. This is not what this company about, it's about, but we do continuously investing in what we really believe is important for our growth in the future, which is brand building through Drew Barrymore, through the investments that we do, the brand awareness that we do in the U.S. that is that is absolutely crucial.

So there we are disproportionally investing. In the U.K., we are more investing aligned with what we've done in the past. And but I think the quality of our investment is become extremely efficient. And that's why you can also see that in a strengthening of our market share. Europe, we are also looking at investing and simply, because fundamentally, we want to get out of the difficult times of the category with a stronger business, not with the business that we have weakened.

This is why you see us taking a very, very strong look at how do we -- how can we do things more efficiently. So we investing and purchasing in line, lower SG&A spend. How do we optimize our existing business, but the objective is to continue to have a very, very strong profit to have a profitable business and to invest everything we can into the brand and into growth.



**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay. Thank you, Marco. Another question for you.

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

Mike, can I add on that. Actually, for the question, because I think there was also a question that it's the second consecutive time that that Meat Alternative business is supposedly a loss. We will guide the audience towards looking at core EBITDA. If you look at core EBITDA, it is positive 5.8% EBITDA margin and not core net income. The reason for the core net income is there is an intercompany loan between our Meat Alternative legal entity and our Singapore entity that creates interest income, but it's intercompany. And therefore should be excluded in the analysis. So we guide towards looking at EBITDA. And actually, when you look at EBITDA, it's positive, it has gone down as a margin. But it is positive.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you, Jesse, for the clarification. And Marco, just another question for you. And this is, how does the QSR margins compare to the non-QSR segment in terms of gross margin?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes, so Mike, we don't go into that very, very specific number simply because we're looking with a quite a limited number of these global customers. What I can share with you is that on average, our QSR margin is a little bit lower than our average, but it doesn't contain any market long term commitment.

So what we are very, very proud of is our relationship with a QSR is very based on, it doesn't contain what some companies call market commitment. So we don't we never buy any business, we work with them because they choose our product, and they continue to use our product maybe in the market. So it's a very solid margin, and it doesn't have marketing spend related to it, but on average is a bit lower than the average.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, thank you. Also for you is the U.K. retail market growth in the first quarter. Can you comment on how that was?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes, so the retail category has been declining 9% in the last two weeks. Now, this is -- these are the alternative market that category in the U.K., so is on the decline. And this is what, if you've seen our quarter-to-quarter number, this is what has influenced our numbers. Within that, you look at our growth of market share, and you can see why we believe we are the one really strengthening and benefited from the better look at the category. But the category, the alternative category has been declining the last few weeks.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay. And can you comment on has Quorn done any experimentation with premiumization?

**Marco Bertacca - Chief Executive Officer, Quorn Foo**

Well, it's a very good question. What we are certainly looking at two different areas. So first of all, one of the areas that we're looking at is how can we leverage our mycoprotein with its unique characteristics to really elevate the quality perception of the total category. So can we have a role there. So that's something that we are looking at. I don't have anything to report yet on this, I'm sure we will come back in the next few months.

At the same time, in the area of our Quorn products, every time that we launch a new product, we look at offering. First of all, the best possible food, the best possible experience, the fundamental element, that is also challenging the category on a global level is taste. So we always need to continue to work on taste. And in order to achieve the taste, we're looking at using different proteins, different characteristics still based on our key mycoprotein.

But the premiumization we really look into the area of taste and the taste profile, the quality of our food. I would say that overall, one of the key characteristics that we have in Quorn, which is one of our very, very important anchor point is we are present in a number of channels, we are present in a number of meal and occasions. And we are closing very, very strongly the gap between what we call Quorn alternative protein and animal protein in terms of pricing.

And we believe that in the next 12 to 18 months, these being one of the key elements that is also pushing consumer to look at not just availability, not just tates, but also affordability. We have a big, big role to play there.

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

Mike, also to just to add to what Marco has said in the previous question, despite the challenging retail situation, retail channels situation in the U.K., because of our strong foodservice growth. Actually, our U.K. organic growth is 0.5%. So we managed to grow now for our U.K. business. So despite the challenges in the retail channel.

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Thank you, Jesse. I think that's a very, very important point. And this is where you also see the market share relationship price. So that's why we need to, we need to find a way to look at how do we compare with a pre-pandemic, because the retail is really, really very much influenced by what is open, what is closed, while the food service being so much ahead of the pre-pandemic has helped us to go into growth mode in the U.K. So that's the overall.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you. Marco, this question is staying on the growth theme, and this is how much top line growth was due to distribution point coverage and what would the growth look like if you took out this increase in distribution points?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes, so look, it is a good question and the true answer is the following. If in the past, if we would have grown the distribution, as we have grown and shown on this slide, we would have actually grown faster. So in other words, it's almost like you need to run faster with your distribution growth in order to be able to achieve the similar level of growth in the past, what is the reason for it is the category is not growing at the same speed as before.

So NPD and distribution growth have to have a bigger impact and have to continue because the categories currently challenge, if we would have not increased our distribution, would have not increased our NPD, we would have not been able to grow. So that's limited the relationship, it is a market. And this is where we find that the retail space is being really challenged at the moment.

In the past, if you look at just one year ago, everyone coming in would find the new space on the shelf, currently are receiving a number of phone calls from smaller brands asking to collaborate with us, because they've struggled to put price increases in, that they've been delisted. So there's a moment of relooking at the shelf and how from the retailer perspective to re-optimize the shelf.

Now, one of this is why this is again, a big opportunity for us that we had, we have a category management team that is now meeting all the different retailers and explaining share, with them. Now that the category's challenged, now that the retail is a little bit suffering compared to the pre-pandemic, or compared to the pandemic time actually, not that the pre-pandemic.

What is the best way to display? Where do you put the product, do you organize by brand block, or do you organize by consumption moment and there's not many brands that actually can offer that service because they don't have the understanding of the consumer. We can and that's what we've done.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, thank you. Thank you, Marco. The next question is for you, Henry and this question is, do you still see a looming food crisis?

**Henry Soesanto - Executive Vice-President and Chief Executive Officer, Monde Nissin Corporation**

Thank you, Mike. Yes, I think it is even more obvious compared with the last period, we talked about this. Last time, we hope that the war in Europe will soon finish. But this time you see there's a prolonged period of war there, the countries at war, Russia and Ukraine, for example, they supply 30%, 40% of the global wheat, they supply 40% of the global sunflower oil. You see even the war stopped today, they have to start to plan again, not to mention the fertilizer and things like this. So the food security issue depends on where you are.

For example, countries like Egypt, they produce wheat, but almost half of the wheat supply still need to be imported and 80% of this wheat supply will have to come to from Ukraine or Russia. So when they have short of wheat supply from the traditional supplier, they are going to access it from the non-traditional supplier from elsewhere, from Australia, from U.S., from Canada. So it depends. So where you are, the most marginalized country like Africa, they are going to feel the most effects of this food crisis.

Philippines could be at the middles, we still have supply of wheat, we still have product like Lucky Me, we increase only 3%, 4%, 3%, 4%, consumers still buy at the price of maybe 7% compared to the pre-pandemic, still okay. But in some areas of the world, the food crisis is starting to be felt. Yes, I think so.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you, Henry. Marco, the next question is for you. And this is in regards to Quorn margins. Would you expect margins to decline further as you invest for market share?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Thanks, Mike. Look, it's not really the investment in market share. For me, it is look, we will continue to do what we're doing in the U.S., we are very clear. We just started and we continue to invest. So that is spending that we will continue to look at. What is the fundamental element that will influence margins in the future is, the balance between the input price increases, the price increases that we put to consumer and to customers, and our overall efficiency. We're working very hard on minimizing the input price rises, but you know that it's very little we can do about it because they are influenced by global market situations.

We are working harder to certainly pass on the price increases to customers to do it in a collaborative way, we really have to and to for continuously find efficiencies. So all these mechanisms will influence the margins, now why stick with our overall plan, we will see challenges during the next few months in terms of those margins progression, but you know what are the gross margin that we're aiming for, and this will continue to be our target, we believe that we can achieve it in mid-term.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you, Marco. The next question is for you, Jesse. And this is if you can comment on the reason for the decline in market share for biscuits?

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

Yes, so as I explained earlier, the biscuits category is a prime beneficiary of the lifting of the mobility restrictions. Culinary and beverage both suffered a lot, when there were a lot of mobility restriction because the situations calmed down, with the mobility restrictions being lifted, the demand is experiencing a resurgence. And so growth in the categories were pretty high. We were growing along with it.

In fact, our biscuits have reached in volume terms because there's pricing pre-pandemic levels, but there are some of our competitors, who have a less resilient base that are growing faster than us versus I guess a year ago. So hence the decline for us.

**Henry Soesanto - Executive Vice-President and Chief Executive Officer, Monde Nissin Corporation**

Mike, can I add a bit more on this? You see the biscuit industry has become more fragmented. Consumer sees more biscuit coming from other sources, from Indonesia, from Malaysia. So with more players going into the industries, everyone is going to divide the shares. So naturally, some of the players there will have to sacrifice the existing market share. But if you look at the revenue of our biscuit today, it's improving, it's increasing. Well, of course, we can do a bit more than that, a bit better than that. But yes, at this point in time, we see the more fragmented biscuit players in the market.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Thank you, Henry. Jesse, the next question is for you, and this is in regards to noodles. And this is what are the growth prospects and expansion plans for noodles?

**Jesse Teo - Chief Finance Officer, Monde Nissin Corporation**

Yes, for short and medium-term, as we shared last time, actually in our analysis of historical data, whenever there are times of high inflation, the demand for instant noodles goes up as Henry shared earlier, despite the pricing increases that we have taken, they are minimal even versus pre-pandemic, and relative costs of our instant noodles, versus other food items that a C, D, E consumer, D, E especially consumer could buy, it still offers one of the biggest value food purchase that they can make.

So relatively because of instant noodle being such a great value food item in times when people have to tighten their belt, they actually end up consuming more. So short to medium term, I think we expect demand to continue. I mentioned earlier that we were half expecting a letdown because the pre-pandemic level or during the pandemic, there was a huge surge in instant noodle volume.

But on top of that high base, the noodle category continue to grow. And we are growing along with it because times are difficult and I think this time around excluding that what we experienced the past is happening again, when inflation is high, people resort to familiar good value food items like our noodles.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, thank you, Jesse. Marco, the next question is for you. And this is has the company been able to fully supply the shelf space offered by the Supermarkets. This is in regards to in the past there's been supply chain issues, what is the current situation?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes, look from the overall perspective, our supply is back on track, capacity is back on track. We have seen some challenges you remember, still in 2021 about the U.K. difficulty of availability of trucks and transport, that we actually one of the top in customer service to the retailers. I saw a graph for example, the last month, we were number one in our customer service to retailers. So the availability is certainly not an issue.

We are seeing some challenges at times, for example, some of this smaller, third-party players, where they also struggled to get the people working for them. There's a labor shortage in terms of manufacturing overall, but our customer service level are very good and very high.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, thank you, Marco. Another question for you and this is, you mentioned the inflationary conditions have been challenging, the U.K. alternative meat market. So the question is, would not a price increase for Quorn products drive away customers even further?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Yes, thanks, Mike. This is a very, very important question, because inflationary has not been in the Meat Alternative market, inflation has been and is currently on every item that is connected somehow to food, to fuel costs, electricity costs, et cetera. So it is really across the total supply chain. To be the more precise, the increase of animal protein has been even higher than increases that we are putting to the retailers in the area of Meat Alternatives.

To the point that as I've recently analyzed that, just to give you a reference point that meat, chicken has grown in price that to the point that Tesco, chicken price per kilo is just above the six pound per kilo, and our chicken product is just underneath the six pound per kilo. So I know this is just one specific data point. But the overall Meat Alternative and in particular, the Quorn one and the market of protein is getting closer.

So of course, we need to continue to pay a lot of attention, because it is clear that price inflation will drive the consumer to pay to be very, very careful about how do they spend their money. But we do not believe that Meat Alternative is at a disadvantage compared to the other items that we can be substituted with.

Of course, the challenge for us is to bring more people in the category. So we're working on bag sizes, we're working on entry packs, we're working on promotional activities, also to drive more people in the category. That's another way we are planning to reduce the impact of price increases in the category.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, thank you, Marco. And we're almost out of time. And the final question is, again for you, Marco, and this is in the U.K. Meat Alternative market, how does that growth compare to just the overall growth in the grocery market and if there's a difference, can you explain any reasons behind the different rates of growth?

**Marco Bertacca - Chief Executive Officer, Quorn Foods**

Actually, the Meat Alternative market is not moving in any radically different way than the total grocery. You've seen a quarter one grocery is behind the previous year. Meat Alternative is also, so there is no particular change in that, we're not particularly disconnected with the grocery, one of the big things that is happening is the reopening of the food service.

So that's why what together with Jesse, we explained earlier is, it is very important for us to rebalance our business, we had a much bigger dependency on retail. And we have seen that we have a number of growth possibilities in food service and QSR which we're capitalizing.

The other area is that we're really spending a lot of attention on is really understanding apart from the where do they shop is the, how is the consumer going to shop in a possibly recessionary environment where they have less money available for food, and this is why having, been able to have maybe small effect to drive it into the category and then raise them to bigger packs where they can get the volume and value for money is important for us.

So value for money in retail would become more and more important. And that you will see that the retailers, if there is one word of caution that I have in my head, and I'm working with the team is so far, we have not seen the retailers yet passing over the inflation to the consumers in particular in the U.K., because they had very, very healthy balance sheet in 2021, they've been able to absorb some of this pressure, but we expect that the food inflation will continue.

So the next few months, as I showed that on a slide is to be taken with caution. That's why a big adventure for us is to do the right things, continue to drive distribution, new product and optimize our internal business.

**Michael Paska - Director of Corporate Business Development, Investor Relations, Monde Nissin Corporation**

Okay, thank you very much, Marco. This concludes the Q&A. And now I'd like to hand the call back over to Henry for concluding remarks. Henry?

**Henry Soesanto - Executive Vice-President and Chief Executive Officer, Monde Nissin Corporation**

Thank you. Thank you, Mike. So thank you everyone for your participation and continued interest in our company. As we discussed, the year has started with very strong growth, particularly in our APAC domestic businesses. While we remain optimistic about the growth, we are also mindful of the inflationary and supply chain challenges. These challenges are driven by events outside of our control.

As a company, we will continue to work thoughtfully and diligently to mitigate the impacts. We will focus on our consumers, and we'll continue building the foundation for long-term sustainable growth. I look forward to speaking again, when we have our second quarter results later in the year. Until then, stay safe and healthy. Thank you very much.