



Transcript of Monde Nissin Corporation (MONDE)
Nine Months 2023 Earnings Call
November 8, 2023

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Participants

Michael Paska – Chief Investor Relations Officer, Monde Nissin Corporation

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

Jesse Teo – Chief Finance Officer, Monde Nissin Corporation

Marco Bertacca – Chief Executive Officer, Quorn Foods

Presentation

Mike Paska:

Good afternoon, and welcome to Monde Nissin's third quarter earnings call. I am Mike Paska, Head of Investor Relations. On today's call with me 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 today's press releases and earnings presentation all available on the PSE Edge website posted earlier today. This material can also be found in the investor section on Monde Nissin's website. And finally, before we begin, please note that the financial information presented today is unaudited. During the course of the call management may make forward-looking statements based upon current assumptions and expectations. These are not guarantees of future performance and I encourage everyone to read the disclaimer in the presentation. With that, I would now like to turn the call over to Henry for introductory remarks. Henry.

Henry Soesanto:

Thank you. Thank you, Mike. And good day everyone. I'm happy to report that during the third quarter, our APAC branded food businesses saw very strong top line growth both year over year and sequentially. Noodles in particular saw record volumes. Along with the strong growth, we saw significant expansion in the gross margin of APAC BFB. Moving to the meat alternative business, we are one of the categories still facing headwinds. Despite this, Quorn managed to gain market shares and has successfully implemented business restructuring, enabling us to maintain EBITDA breakeven for the second consecutive quarter. I would now like to turn the call over to Jesse to provide more details for our APAC branded food businesses. Thank you. Jesse, please.

Jesse Teo:

Thank you, Henry. We're very pleased to present you with the Q3 and nine months results for the company. As Henry mentioned, we have a very strong revenue progression with net sales growing 17.8% on the total business highlighted by extremely strong 24% growth in APAC branded food and beverage. As Henry mentioned, meat alternative continues to struggle on the top line basis due to the

economic conditions in its key market, UK, but overall, the growth in Q3 has brought the overall company growth for the nine months to 10.5%. The growth of APAC BFB is not only a growth versus a low base, as quarter on quarter APAC branded food and beverage grew 8.2% and on a total basis we grew 6.8% quarter on quarter.

Gross margin, as Henry highlighted, grew significantly, 300 basis points on the total basis year on year, and 150 basis points quarter on quarter. APAC had a particularly strong progression, while meat alternatives is still struggling a bit on gross margin due to the low volumes. Between gross profit and EBITDA, there are two different directions that we've taken on SG&A. For APAC branded food and beverage, we are investing in additional SG&A to fuel the growth momentum that we have. In meat alternative, from the restructuring activities that we have done, we have significantly reduced our SG&A in order to maintain the second consecutive EBITDA neutral results. The EBITDA performance flowed through to net income and then to net income attributable to shareholders. Reporting net income has a strong growth of 68%, basically a flowthrough from our core net income. Next slide, please.

The growth in bottom line also translated to more cash. We generated 7 billion in cash in the first nine months compared to 2.3 billion in the same period versus a year ago. That is more than triple the cash. Besides the increase in profits, we were able to lower the inventory value as the purchases of key commodities that we have have significantly gone down. Moreover, last year, whereas last year we were paying down our US dollar trust receipts for our weak purchases because of the favorable USD-Philippine exchange rate, this year, the exchange rate has not been as favorable in the last few months, so we were not paying down trust receipts as much.

This results to a cash accretion of more than 1 billion as our current September 30 cash balance is now up to 13 billion pesos. This is up despite the fact that we paid 51 million sterling of external debt. You will recall that we have announced an infusion of 56 million into our MNUK business, 51 million of which was used to pay down external debt. Despite close to 3.5 billion of debt payment, our cash balances increased by a billion, reflecting this very strong cashflow progression that we have. Next slide, please.

APAC is the star obviously for this quarter with revenue growth at 24% and there are many all-time highs here. The growth is broad based, as you will see later on. Q3 was an all-time high quarter with noodles in particular all-time high volume, and let me repeat all time high volume, and the sales progression does not stop at that. After delivering an all-time high quarter, we delivered an all-time high month in October. Even our Thailand unit, the domestic Thai business, had an all-time high quarter 3. It's broad-based and we will see that it's all good from a volume and from a pricing standpoint. The gross margin progression was even stronger if you look at only APAC, 520 bps of improvement year on year and 200 bps quarter on quarter, and later on we'll share with you the trends of our key commodities that would suggest that these good times will continue to roll. That translated to good performances in EBITDA and core net income. Next slide, please.

As I mentioned, we are firing almost on all cylinders. If you look at our nine-month results, we're all green, all positive, both from a volume and from a pricing standpoint for all the key categories that we are playing in. The slight negative in Q3 for biscuits is due to the fact that, if you recall, we had a very weak quarter 3 for noodles because of the regulatory issue, and so we pushed the biscuit business during the same period. So, it is an extremely high base for the biscuit business, but overall strong across

the board, top line performance across all our categories, including Thailand and our export business. Next slide, please.

Please indulge me a bit as we take you down a trip down memory lane on our noodles' volume evolution. During the first quarter of 2020, this was the quarter where we experienced the first lockdown from COVID, we experienced extremely high volume for our noodles, a significant jump from the volumes versus any past periods because people were still sheltering at home and preparing noodle pouches to feed themselves while they're at home, protect themselves from COVID. If you look at Q3 2022, this was a time when the regulatory issue happened. We had a voluntary recall in small parts in Europe and it had knock-on effects on our volumes in the Philippines. The volume for noodles at that time was 32% down versus year ago. Less than one year removed from that, we have bounced back strong and in Q3 we have registered an all-time high volume quarter. This is backed by share growth. Next slide, please.

As you can see, year-on-year, our share progression is significant. Of course, this is a low base, so we also endeavor to show you the quarter-on-quarter progression. Last quarter we reported a slight dip, but we have bounced back. The category itself also has a bounce back in the category growth. We shared that our business is highly correlated with rainfall, and it rained in quarter 3, and that really helped the business. The category grew from mid-single digits to mid-teens because of the rains. As higher inflation sets in, we believe that the historical fact that our noodles business respond well during times of high inflation will continue and this bodes well for the continuous consumption for our noodle products.

On specific products itself, I'd just like to highlight our Kasalo. In fact, we talked about this that previously we did not play in this sizing and pricing segment. Today, our Kasalo business is already 5.4% share of the dry pouch. This is 45% of the leader in this sizing and pricing segment, just less than one year of national launch. We plan to use the same formula in the wet pouch business to offer a bigger size and price to use the same value for money offering to grow our business.

In cups, seafood has been our weakness, so we have introduced a new variant, Shrimp Tonkatsu. It is a distinct seafood-flavored cup noodle with a pork broth base. We hope to make some progress in our volumes and share with this introduction.

For biscuits, we continue to be number two in the category. A local player is the market leader. We continue to grow, but the local player is growing much faster than us. In cracker sandwiches, in cookies, cookie sandwiches, in sweet biscuits, we are growing, but we have some vulnerability in our cracker. We will have plans to address this vulnerability in the next coming months.

For our culinary business, our oyster sauce remains to be a strong number one. We had some production issues in the last six months, thus we were not able to fully supply the demand, explaining the slight share loss. But the good news is we continue to grow the category, and oyster sauce now has 51% penetration in the Philippines because of our campaign for Filipinos to use oyster sauce in lieu of soy sauce.

Finally, on our yogurt drinks business, we have now fully breached 90% and are riding the high tide of Filipino mom's preference for milk-based beverages for their kids. It is a strong share position in a category that is growing very strongly. Next slide please.

I mentioned earlier that we have very well gross margin progression because the commodity costs have gone down and our pricing has stopped. Those prices will continue to be low. For wheat, they are trading near five-year lows and we have substantially locked in near these levels. Our locked in for wheat is up to Q2, substantial lock in up to Q2, and for palm oil we have locked in positions of 80% for Q4, 60% for Q1 and Q2, and 20% in Q3. The palm oil prices are not near all-time lows, but they are significantly down already from their peaks. If you look at the chart, you will see, at least for palm oil, quarter on quarter, our palm oil costs will be lower than the previous quarter.

If you add that to our lock-ins for power or energy, we announced previously that we have an FGEN contract where we supply most of our plants with renewable energy. We have very favorable rates, so we are well poised to be protected from any energy related shocks in the future. Thus, this 500 bps improvement in gross margin, 200 basis points quarter on quarter, should continue on well into next year. Next slide. I'll turn it over to Marco to talk about our meat alternative businesses.

Marco Bertacca:

Thank you very much, Jesse. Good morning, good afternoon. Can I please move to the next slide. So as Jesse and Henry already mentioned, we started from a continuation of quite a challenging environment, in particular in the UK, and this is why we are certainly making progress, but we are dealing also with challenging circumstances in the overall market of meat alternative.

I'm reporting therefore that our net sales quarter on quarter has declined 4.2%. This is on the back of a volume decline of around 10%. This is also including and maybe possibly driven also by the increase of pricing as we've done in a number of quarters. You can also see that our gross margin has declined, mainly because of the big impact on the volume decline. On top of that, we have really implemented a number of measures, already Jesse has shared, the restructuring that we've done, a reduction of our cost base. This is why, despite these challenges in the market, we've been able to deliver for the second quarter at least a breakeven EBITDA while we are setting up for a strengthening of our overall business, so that we get out of this challenging market with a positive growth in the future. But still where we are today is, you may have also picked up from other competitors, is not an easy place to be from the consumer perspective. Next slide please.

So here I just want to dive into a bit of the UK environment that you can see on the UK economy. On the left, UK inflation is still very high and the food inflation is even higher, about 12.2%. There's a number of metrics that I could highlight. Interest rates are still high and this is what is really putting pressure on consumer spending. Now, the impact that these have on the reasonably new category like meat alternative is that the overall market is down 6.3% while Quorn is only down 1%. So one of the key element that is very, very important for us is to continually strengthen our opposition in a challenging environment. This is why you would see that we continue to improve our market share in particular in the UK, but also the Nordics and in other countries. So you see other brands are down 5%, the private label market is further down, 15%, the market minus 6.3% and Quorn still negative but minus 1%. Next slide please.

So, as I said, within what we can influence, we continually strengthen our position. You can see on the left, that now is a very strong quarter on quarter streak of improvement. We are now 33%. It is very important for us, as our home market is the UK. So having 33% is super important for us. On top of that, a recent survey from all the retailers have given us our number one position in terms of the performance, in terms of customer service, availability, et cetera. So there is a strong recognition that Quorn is playing a very, very important role in the category. We are the number one and we are becoming stronger in the category. Important also to reflect on the fact that our customers still see the category as an important game for the future for the short, but also mid- and long-term. This is why we are really collaborating with them in terms of restarting the category.

On the right, I just want to also confirm one of our successes has been clearly our ability to continuously grow food service, although at the lower rate that we had until now, but we are still in growth also in quarter 3. This is despite the fact that for example, there's fewer people going out and eating in the restaurant with the current situation. But not only the UK is strengthening their position in food service, we are also expanding and taking a more regional and possibly global position in the food service because we see that as a key area for us to growth. In fact, KFC Europe has continued to roll out the plans to take Quorn in more European countries, and we're currently present in 24 countries. So we are growing food service not only with new customers but also by selling more to existing customer. That's very, very important for us also because food service is taking a bigger, bigger share of our total business in Quorn. Next slide. I think I'll pass back to Jesse on this one.

Jesse Teo:

Henry will be making some opening remarks for this section first and then I'll take over after that.

Henry Soesanto:

Okay, thank you. Thank you Marco. Thank you Jesse. Now, I would like to talk about the second press release that we made this afternoon regarding the financial support that my family and I are providing to the company to reduce the implication of future value impairment at our meat alternative business. The meat alternative business, this is Quorn, has more than 30 years' operating history. So if you look at the chart, since the first product was sold in 1985, it has shown consistent growth, positive growth. It was the first time we got the value impairment and it was during the very difficult time of macro business environment. So, we believe that difficult situation is not forever and it is reasonable to assume that the growth will come back in the medium to long term.

Under this difficult situation, we are doing as much as we can to weather the challenges. This undertaking is giving us time to focus on updating and executing our strategy, developing new products and new business models, while worrying less on the impact of the value due to the possible future impairment of the business. It is good to mention that there is no limit on the upside potential in the future when the category and business recover. Additionally, at the group level, the board can then later decide what to do when we have ongoing retained earning sitting in our balance sheet. Now, I will hand it over to Jesse again to explain the basic mechanics.

Jesse Teo:

Thank you, Henry. Next slide please. As a minority shareholder myself, I can say that this is an unprecedented generosity on the part of the family shareholders to provide this financial support on the meat alternative business. The way it'll work is there will be a cash top up for any impairment on the

investment of our Monde Nissin Singapore Private Limited entity. This is the direct parent of our Monde Nissin UK entity. Right now the investment of Monde Nissin Singapore into MNUK is in the form of both intercompany loan and direct equity investment. So any impairment on those remaining amounts, as of January 1st, 2023 until the end of the family financial support period of December 31st, 2032 will be compensated by a cash top up. This cash top up will be provided for by MNSG. This is a Singapore domicile company owned by the controlling shareholders of Monde Nissin, and they are providing this top up the non-deliverable put option to our Monde Nissin Singapore entity. Monde Nissin Singapore entity is also 100% owned by the listco.

The current VIU or enterprise value of the MNUK business can be written up or written down throughout this period. Goodwill has been, as you recall, fully impaired, and under accounting rules only goodwill cannot be reversed. All the remaining assets, both tangible and intangible assets can now be written on or written off as assessed during the IAS 36 exercise. There will be a one-time settlement, if any, at the end of the term. And because of the financial process to determine the actual impairment as of December 31st, 2032, we will only be able to finally publish it by April 15th, 2033, and the payment to Monde Nissin Singapore Private Limited made on or before June 30, if any. In the interim periods, we'll be doing mark to market assessments to adjust for both the IAS 36 on the enterprise value of our MNUK business, and also on the value of this financial support. This financial support will be backed by collateral of 2.156 billion Monde shares owned by the family shareholders, and it'll be capped at a value based on the weighted average stock price of the five last trading days prior to December 31st, 2032. This amount, which is in peso, will then be converted to sterling, because the value of the business is in sterling.

Now, as to how the top-up will be funded, it will be funded by either existing cash of the family shareholders, or if necessary, if the existing cash is not enough, they will be tapping on the collateral, the proceeds from the collateral of the restricted shares. To make sure that there is no fake sale that will eliminate obligation of the family to the company, we have set forth some conditions. While we have said that the top-up obligation will only be valid if Monde Nissin corporation is directly or indirectly retaining controlling interest in MNUK, and it is a fair assumption, a fair condition, because if we are the controlling interest, then we control the fortunes of the business.

We are putting in strict conditions on any sale. For any related party sale, there will be a floor price, and the floor price will be the net investment as of January 1st, 2023, plus all the investments that we will be making during the tenure of the financial support, minus the dividends that MNUK will be giving its immediate parent, Monde Nissin Singapore Private Limited, and minus any intercompany down payment. Any related party sale will have to meet that floor price. If it's a third party independent sale, the sale will have to be endorsed by our risk and related party transaction committee, which is composed entirely by independent directors, if two conditions are met. First, if the sale price consideration is less than the net book value of the MNUK business, or if the proceeds from the sale will be less than the top-up obligation of MNSG to MNSPL. Using the same rules, there could also be a minority sale, but with the minority sales, since MNC will still have controlling interest and decide the fortunes of the business, the only adjustment will be a pro-rata adjustment. Let's say there's a 30% minority sale, there will be a 30% reduction in both the top-of obligation and the restricted shares that will be applied prospectively.

In conclusion, this financial support measures should protect minority, all shareholders, particularly minority shareholders, from any downside risks in our mid-alternative business. While, as Henry said, giving them all the upside opportunities for the recovery and participating in the very positive upward trend of our APAC branded food and beverage business. This concludes our prepared remarks. We are now ready for questions.

Mike Paska:

Thank you, Jesse. So, just as a reminder, questions can be submitted via your chat box. We will attempt to address as many as we can, time permitting.

Jesse, first question is for you, and this is in regard to Q4. Q3 was a very strong quarter. Is there any color you can give us so far, any additional color on how Q4's going among the different segments?

Jesse Teo:

Yes. For top line, as I mentioned, we were off to a very good start in October as we succeeded our all-time high quarter, with an all-time high month in October. Bottom line margins should continue to expand as pricing has stopped, and our commodity costs has gone, lock-ins are lower, quarter on quarter, even versus the Q3 quarter.

You've also seen the projection that we are making all the way to Q2 and even Q3 for some of our commodities. By the way, just to update folks, I failed to mention this, wheat and palm oil consists 25% of the COGS of APAC branded food and beverage. Energy, which I also mentioned, has been locked in a five-year deal with FGen, is about 4%. So overall we are good for almost 30% of our COGS.

Mike Paska:

Thank you, Jesse. Jesse, we have another question, and this is regarding the top-up exercise, and does this exercise or announcement portend an imminent impairment exercise?

Jesse Teo:

Well, the exercise for IAS 36 will happen at year end. A lot of factors play into including WACC. WACC was a major contributor for the impairment. Over 60% of the cost of the reduction, the VIU, was attributed to WACC. While there are certainly good news that the periods of interest rate hikes may be over, we don't know what the sentiments will be, come December 31. So, all of us will have to wait and see, but we don't want to wait for things to happen before we do anything. We want to be proactive. If we give the support and the support is not needed, then everybody should be good with it.

Mike Paska:

Thank you, Jesse. Another question, and this is regarding the financial support measure. What will be the immediate P&L impact to Monde, if any?

Jesse Teo:

Well, an OCI booking of the time value of the option will be booked. Since it's booked as an asset in Monde Nissin Singapore and an OCI credit, there is no P&L impact, but there will be a direct-to-equity impact. Then we will have to do the mark to market based on the actual IAS impairment at the end of

the year, the actual share price, and use the actual variables that we see by year-end to do the mark-to-market by December 31.

Mike Paska:

Okay, thank you. This is another question regarding the meat alternative.

Jesse Teo:

Let me just- the initial day-one entry is really just for the time value of the option, okay. The time value of the option will be booked as an OCI entry, even as it creates the asset in the books of Singapore, in Monde Nissin Singapore.

Mike Paska:

Thank you, Jesse. This next question is regarding meat alternatives, and it's, how much restructuring cost was booked under OPEX of the meat alternative business as of the first nine months?

Jesse Teo:

Marco, you want to take that one?

Marco Bertacca:

Yeah, so I think it was about 9 million pounds, Jesse, so I think- I wouldn't be able to make the translation immediately in pesos, but I think it's 8.4 million pounds, the size.

Jesse Teo:

Yeah, call it 70, multiplied by 70, 5.6, 5.60.

Marco Bertacca:

5.7. 5.60, 5.70, yeah.

Mike Paska:

Thank you, Marco. Marco, another question for you, and this is how much did food service contribute to sales in the first nine months?

Marco Bertacca:

Well, food service has been growing, actually, in relevance, in the last few quarters, and we are now on year-to-date, at 16.5%. So, food service is becoming a clearly driving force for Quorn overall, and as I said, is the growth area. So, that's why we count and we are really doubling down on the food service segment overall, not just in the UK.

Mike Paska:

Okay, great. Thank you, Marco. Jesse, this is a question regarding the impairment exercise, and can you remind us why there is an impairment exercise if the goodwill has already been completely written off?

Jesse Teo:

Yes. So, under IAS 36 rules, you do this exercise to evaluate not only intangibles but also tangibles. We still have substantial intangibles, by the way. The intangibles, as I shared last time, the brand trademark value is still 204 million pounds with a DTA of 25%, which nets out to be 153 million after tax, sterling. So there's that still portion, even if goodwill... Goodwill is not the only thing that you are testing for IAS 36.

Mike Paska:

Okay, thank you, Jesse. Marco, this next question is for you, and this is, can you explain the outlook of the gross margin trajectory of Quorn? Why did it dip sequentially in Q3, even though energy prices were lower, considering that Quorn UK was only down 1%?

Marco Bertacca:

Yeah, so I think the overall trajectory is mainly linked to the fact that the high input cost were- we're at the top towards the end of last year and towards the quarter 1 of this year. So we have implemented price increases but not fully compensating the input cost increase. The fact that then we have a considerable element of our volume that is in stock. Therefore, the stock that we have contains the higher input cost, and so we still need around six months of stock to flesh out the higher input cost on top of that. So that's the dimension of the raw packaging material and the particular utility that for us is quite significant.

On top of that, the specific impact in the quarter is also related to the decline of the volume. So we are taking continuous measure to resize our business, taking into consideration that there's a lower volume that is going through our factories, but we have an element of fixed cost and the lower volume didn't allow us to fully recover the fixed cost.

We are continuing with a number of measures to streamline and to adjust our organization to the volume while we also want to invest to restart the category and be ready when the category starts again for growth.

Mike Paska:

Thank you, Marco. Jesse, next question is for you, and this is how will the cash top up, if any, be used?

Jesse Teo:

Yeah, so thank you for that question. Yeah, maybe I did not explain this clearly. The cash top up will only happen by the end of the term, and as I mentioned earlier in the mechanics, by June 30th, 2033, when we have the final impairment number, if there's any, as of December 31st, 2032. Okay. The cash top up will be an offset to the cumulative impairment that has happened from January 1st, 2032 to December 31st, 2032. So it is a offset to a non-cash charge that will accumulate during this tenure. So we cannot immediately use that cash because the cash will only be available at the end of the term, in fact, six months after the tenure of the financial support.

Mike Paska:

Okay. Thank you, Jesse. Jesse, this question is regarding APAC and can you comment on the customer service levels-

Henry Soesanto:

Mike, can I follow up the question so that Jesse can explain better?

Mike Paska:

Of course.

Henry Soesanto:

So if for example, next year there is an impairment again for 100 million in UK, for example, what will happen to this top up? What will happen to the retained earning that will flow through to the MNC, like what happened last year? So impairment next year. You said that the final settlement will be 10 years from now, right?

Jesse Teo:

Yes.

Henry Soesanto:

If one more impairment happened next year, what will happen to our retained earning?

Jesse Teo:

Yes. So what will practically happen is that, as I mentioned earlier, there will be a day one entry. The day one entry, which is the time value of the option, provides an asset at Monde Nissin Singapore that will provide already a significant cushion. However, that entry is not P&L. As I said it is direct credit to equity. Then there will be a mark to market of the put option and the true up will be done on the mark to market based on the actual impairment, because the option will only be in the money when there is an impairment. It'll be out of the money when there's no impairment. So there will be a calculation of what is the mark to market value of that option, and it'll be compared with the original OCI entry and the delta will be booked as a P&L.

Henry Soesanto:

So top up is not P&L, but impairment also not P&L. Right? So the two will offset each other. It is based on equity, so you don't have to do the restructuring again, like what we did just now.

Jesse Teo:

Just to be clear, the impairment will be a P&L charge. Bulk of the offset will be non-P&L, but it will provide retained earnings protection at the listco level. Because the asset that you have created with the day one entry in Monde Nissin Singapore.

Henry Soesanto:

Yeah, I think that should be made clear. Right? So you're protecting your retained earnings at the balance sheet.

Jesse Teo:

At the listco level, yes.

Henry Soesanto:

Yes.

Mike Paska:

Okay. Thank you. Jesse, another question for you is, can you tell us how much is the cumulative investment in MNUK as of January 2023, which serves as a floor price for any related party sale, and then what is the current carrying value as of the end of September for the meat alternative segment?

Jesse Teo:

Okay, so we have as of January 1st, 2023, £291.2 million sterling invested by MNSPL. This is the net investment already of the previous impairment that happened in 2022. It's £291.2, okay. And this year we have added 56 to that, £56 million. So it's about £3.48. And as you recall, the bulk of the £56 million, £51 million of which was used to pay down debt, £5 million was used to support the restructuring. The £51 million therefore is neutral as it will create a higher net asset due to the lower debt, external debt.

Mike Paska:

Thank you, Jesse. Thank you. Jesse. Next question is for you on APAC and can you just comment on Q3's customer service levels?

Jesse Teo:

Yeah, so first of all, we practice a differentiation policy on CSL. We differentiate between our core SKUs, our most popular, most loved SKUs and brands versus the non-core SKUs. It's still important, but less in demand. And for our core SKUs, we have been consistently since Q2, having CSL levels of over 90% for non-core skews over 85%.

Mike Paska:

Okay, thank you, Jesse. This actually was the final question, so I will now hand the call back over to Henry for closing remarks.

Henry Soesanto:

Thank you, Mike. Thank you everyone for your participation in this call and continued interest in the company.

In summary, Q3 brought strong top line growth and significant gross margin expansion in our APAC BFB, with our noodles category leading the way. While it is still early in the quarter, we have seen good mid to high single digit growth in October for our APAC BFB, and we expect gross margin expansion for the fourth quarter. And despite the continuous challenges in the meat alternative category, our successfully implemented business restructuring has enabled us to maintain EBITDA breakeven for the second consecutive quarter while achieving additional growth in market share.

With that, I look forward to speaking again next year when we hold our full year earnings call and until then, stay safe and healthy. I wish you a happy holiday season. Thank you.