Monde Nissin

Transcript of Monde Nissin Corporation (MONDE)
First Nine Months 2024 Earnings Call
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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 Financial Officer, Monde Nissin Corporation
Marco Bertacca – Chief Executive Officer, Quorn Foods
Nick Cooper – Chief Financial Officer, Quorn Foods

Participants

Mike Paska:

Good afternoon and welcome to Monde Nissin's third quarter 2024 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; Marco Bertacca, Chief Executive Officer of Quorn Foods; and Nick Cooper, Chief Financial Officer of Quorn Foods. By now, everyone should have access to today's press release and earnings presentation. These are all available on the PSE EDGE website posted earlier today. This information can also be found in the investor section on Monde Nissin's website. And finally, before we begin, please note that the financial information being presented is unaudited; and during the course of this call, management may make forward-looking statements based upon current assumptions and expectations. These are not guarantees of future performance. I encourage everyone to read the disclaimer in the presentation. Now, I'd like to turn the call over to Henry to discuss year-to-date business performance. Henry.

Henry Soesanto:

Thank you, Mike, and good afternoon, everyone. Our consolidated revenue increased by 3.4% year-on-year in Q3 and 3.2% in the first nine months of the year. Our APAC BFB business, which comprises 83.5% of top line for the first nine months, grew by 5.1% year-on-year in Q3 and 4.3% in the first nine months of the year.

Noodles experienced increased market share from 67.1% in Q3 2023 to 67.3% in Q3 this year. Our share growth is led by regaining lost shares. Recall, our competitor initiated the sizing and pricing segment a few years ago, grabbing some shares from us. We decided to respond by launching our Kasalo packs and are now at 78% on a total Philippine basis and outsold them by 17% in Mindanao. In the supermarket channel, we outsold them by 5%. We are also seeing more demand for our multipacks, which effectively increases consumption. We experienced some supply constraints but expect this to recover beginning Q4. Borrowing the familiar concept of our pancit canton, we recently launched Chicken Kalamansi and Beef Kalamansi in the instant mami segment and have so far exceeded our expectations. This also represent a premiumization of our instant mami portfolio.

For biscuits, market share remains stable at 28.5% amid supply constraints. Our flagship brand SkyFlakes is gaining share due to our *Asahan Mo* campaign. This campaign evokes the emotional nostalgia that our core users have for our iconic brand and further builds brand equity. Our M.Y. San Grahams is also growing quickly as we increased usage occasions by actively promoting it for desserts. As of full year 2023, it is at two-billion Philippine-peso business, growing 34% year-on-year so far this year. Next slide please.

For oyster sauce, our market share improved from 59.3% in Q3 2023 to 60% as categorical household penetration increased to 56.6%. For yogurt drink, we further improved market share from 90.4% in Q3 2023 and hit a record 91.7% with our Dutch Mill brand, thanks to improvements in numeric distributions and offtake. Lastly, for cultured milk, Delight is a growing second with 26.9% market share from 23.3% in Q3 2023, also due to faster offtake and distribution gains as we began distribution to the Visayas and Mindanao regions. The yogurt drink and cultured milk categories where we play are driving most of the growth for the overall ready-to-drink milk category, and our brands are the ones driving growth in their respective categories as we are growing much faster. Next slide.

In line with further building a portfolio of strong brands, I'm happy to share our new product, Goodnom Fresh Gata. With Goodnom, we are entering the packaged coconut milk market. They are made of local coconuts which support local farmers, has no added sugar, and make use of a unique sustainable packaging system with less component of plastics which is very aligned with our company aspirations. The category has been on an uptrend, given its versatility, convenience, and consistency in quality, valued at around 2.5 billion pesos and is growing north of 80% based on moving annual total as of September 2023. Household penetration has grown to 9% from initially 6%, offering potential to grow further. We are excited about the opportunities in this category and hope they will contribute to our APAC BFB businesses. Next slide.

Moving on to meat alternative, which comprises 16% of the group's top line for the first nine months. Top line declined by 9.1% year-on-year in Q3 and 2.1% in the first nine months of the year, both on a comparable basis. While we believe health and sustainability will remain relevant for our consumers, it is also true that the environment in which the business operates has been more challenging for a longer period than expected. As such, we must take further measures to ensure the strength of the business for both the short term and long term. We need to be more flexible and resilient, focusing on cost efficiency and cash generation. We plan to reset operations through restructuring and business transformation efforts which will affect all parts of the organization. This will be accompanied by a transformation of our supply chain, which is expected to take some time to complete, while most other changes will be implemented by early next year. Alongside this, Marco believes that the next phase of the business will benefit from the new ideas and renewed energy; and he has decided to step down as the CEO of Quorn Foods early next year after implementing the first part of this transformation initiatives. We thank him for his dedicated service for over the past five years, especially for his leadership going through the unprecedented challenges brought by COVID-19 and the cost of living crisis. Marco will be succeeded by David Flochel, an experienced executive with a proven track record in both corporate and private equity settings, where he has successfully led the transformation of several food and beverage businesses. David has recently joined us and will officially take over the responsibility as CEO in January 2025. I look forward to working with David as we focus on the turnaround of the business. Through these steps, we are targeting to be EBITDA positive in 2025 with a total cash savings of around 8 million pounds sterling in 2024 and 2025, and recurring annual cash saving of more than 8 million pounds sterling per year from the SG&A restructuring savings beginning 2026. The cost to implement will be approximately 8 million pounds sterling in 2024 and 2025. Full supply chain transformation plans are being worked out and additional opportunities not included in these figures are being developed. We expect to provide further details next year. We believe these actions will put a business on the stronger footing and better set up for future success. Now I would like to turn the call over to Jesse to provide more details on the financial performance of our consolidated and APAC BFB businesses. Jesse, please.

Jesse Teo:

Thank you, Henry, and good afternoon to everyone. Thank you for joining our earnings call. So as Henry mentioned, we grew 3.4% on a comparable basis on a consolidated basis, bringing our nine-month top line growth to 3.2%. While modest, the 3.4% represents a modest acceleration of growth versus the six-month growth rate. Bifurcating it into segments, APAC BFB had sales of PHP 17.7 billion. This is the first time in the history of MONDE that APAC BFB reached PHP 17 billion in sales. The previous high was PHP 16.9 billion last Q3 2023. With PHP 17.7 billion in sales, APAC BFB grew 5.1%, led by the Other categories which are culinary and beverage, and then a strong recovery in biscuits. As Henry mentioned, the meat alternative business continues to have top line challenges, and it's reflected with this quarter's results.

Moving to gross margin, we are happy to report consolidated gross margin expansion of +132 bps sequentially on top of the +350 basis points expansion versus year ago for the quarter, and more than +430 basis points expansion for the first nine months. The expansion of gross profit led to gross profit growth in absolute and also led to EBITDA growth at almost similar levels.

Core net income, however, is smaller than EBITDA growth because of foreign exchange movements. As you know, one of our key strategies to manage our foreign exchange risk is to have a U.S. dollar stockpile. The Philippine peso-U.S. dollar pair appreciated to a56.04 at the end of September, and this contributed to the foreign exchange unrealized loss. As everybody knows by now, peso-U.S. dollar is now teetering on an all-time low, so that strategy is proving to be the correct strategy.

Moving to the reconciliation of core net income to reported net income, the key factor between the two in the quarter is the restructuring that Henry previously talked about. We have non-cash and cash charges that we are booking this year. However, this is slightly offset by the revaluation or the mark-to-market adjustments of the guarantee asset related to the family guarantee. Next slide, please.

Our operating profit result is translated into cash, and we have a strong cash growth of 8.5% to PHP 7.9 billion for the first nine months of 2024. This enables us to issue another round of dividends payable by the end of December with 14 centavos per share that we have disclosed yesterday on PSE EDGE. Cumulatively, the payouts for this year have been 38 centavos per share or PHP 6.9 billion in aggregate. Next slide, please.

Now zeroing in on APAC, the PHP 17.7 billion sales is mainly driven by good progress in our beverage and culinary businesses, and recovery in biscuits. The PHP 17.7 billion also represents a 7.6% increase sequentially. Now, just to remind everyone, we have strong seasonality in Q3. This is because our main business, noodles, is strongly affected by the rainy season. Rainy season drives more demand for our key category.

On gross margin, we expanded gross margin by more than 370 basis points for the quarter and more than 510 basis points for the first nine months. Moreover, we improved gross margin sequentially by +173 basis points, primarily due to manufacturing overhead efficiencies. This is on top of the typical reason for our better gross margins, which is lower commodity costs. In addition, the recovery of SkyFlakes, which is one of our most favorable gross margin businesses, led to favorable mix. Core

EBITDA is a reflection of the gross profit increase, and core net income is affected by the same factor that we talked about on foreign exchange for the consolidated financials. Our PHP 8.1 billion core net income for APAC Branded Food and Beverage represents an all-time record for the first nine months. Next slide, please.

Zeroing in more details on top line, we are happy to report that our growth is volume-based and shows growth for all categories. We have modest growth for noodles because of the supply constraint in multipack that Henry mentioned earlier. Biscuits has a very strong recovery of 6.7% led by SkyFlakes and M.Y. San Graham. The Other categories, beverage and culinary are growing from strength to strength because of better equity, better distribution, and better penetration. This brings the nine-month results on volume to 3.3%. Noodles is up 2% for the first nine months. Biscuits has completely recovered the negative position that we had in the first six months and is now flat for the year on volume terms, while Others - beverage and culinary - continue to grow double digits as we have guided and expected. Next slide, please.

Zeroing in on gross margin and how we are outlooking it by talking about the key factors. Wheat, which is 16% of our APAC Branded Food and Beverage COGS continues to have a good trend. As you can see from the chart, we locked in 100% of our requirements for the last quarter and it's on a favorable trend. However, palm oil, which is 6% of our APAC Branded Food and Beverage, is on an upward trend; and our lock-ins are substantial for Q4, but they're less substantial for Q1 and Q2. For those monitoring CPO prices, you will note that today, palm oil is trading at one-year highs. We're trying to manage this going forward. Hopefully, we will have some favorable reduction in those prices; but the positive side is for CPO, the future curves are backward-dated, meaning the future prices are lower than the current prices. We're trying to look for ways to leverage on those cheaper future prices. Because of these, we project our gross margin expansion year-on-year to continue from the first nine months to the rest of the year. That ends my part, and now I'll turn it over to Marco and Nick to talk about the meat alternative business.

Marco Bertacca:

Thank you very much, Jesse, and good morning, good afternoon to everyone. As Henry has highlighted at the beginning of the presentation, we are clearly facing a continuation of the challenging circumstances around the category. It is clear for all of us that the long-term feasibility and relevance of this category is not going to go away. But in the meantime, we've really decided to take some active and radical actions to, let's say, strengthen the basics and the fundamentals of our business and these actions are starting now. We have done a number of communication, and they are clearly in two areas - the areas of SG&A, which we are really working hard to radically reduce, and in the area of supply chain transformation. I've decided to stay and deliver work with the rest of the team, the first part of the transformation in the SG&A cost, but also to kick off together with the rest of the team and with David, the supply chain transformation that will take us few years to complete. Part of this transformation is, of course, aimed at strengthening our margins and protect and strengthen our cash, and I want to really ensure that David has a very, very positive start for this big transformation for the future. I wish him a lot of success. I'll do everything I can to support him in this. And just to give you a bit more details of the last quarter, I pass over to Nick. Thank you.

Nick Cooper:

Great. Thanks a lot, Marco. So in Q3, as Marco mentioned, the meat alternative business continued to face into some tough top line challenges; but in spite of that, the business has been able to deliver a better performance on profit and cash. So sales in the quarter were below our expectations and declined about 9% on a constant currency comparable basis, with the retail market in the UK not yet showing signs of a turnaround. This pressure on the top line was partly mitigated by a one percentage point year-on-year expansion of gross margins. That was driven by lower input costs, partially offset by the adverse effect of lower volumes, which impact supply chain production efficiency. Cost control and a strong focus on efficiency, including some of the restructuring and transformation benefits that Henry and Marco have spoken about earlier, allowed us to deliver broadly neutral EBITDA in the quarter, following losses in Q1 and Q2. And finally, our disciplined approach on working capital, our strong focus on cash continues, and has allowed the business to stay cash neutral for the first nine months of the year. So with that, I'll hand you back to Henry for the consolidated Q4 and full year 2024 guidance.

Henry Soesanto:

Thank you. Thank you, Nick. So our guidance for the full year remains the same. For APAC BFB, we expect mid-single-digit growth for the full year. This entails mid- to high single-digit growth in Q4. We are off to a good start in October for our domestic business with high single-digit growth and an all-time high in monthly domestic revenue of 6 billion pesos. While the meat alternatives as a category is still in decline, we expect continuing top line growth challenges despite maintaining leadership. On profitability on a consolidated basis, we are expecting continued gross margin improvement year-on-year for the full year due to the lock-in of key commodities. We also expect APAC BFB gross margin to improve in Q4. For meat alternative in particular, we expect to be broadly EBITDA neutral for the year. So with that, we are now ready for Q&A.

Mike Paska:

Thank you. Thank you, Henry. So this concludes the formal comments. I will now moderate Q&A. Questions can be submitted via your chat box. We will attempt to address as many as possible, time permitting.

Henry, the first question is for you, and this is if you can provide any observations you might have on the health of the consumer during the third quarter and also so far in the fourth quarter. Do you still see downtrading? Does it vary between different categories? So any kind of color you can provide on this.

Henry Soesanto:

Thank you. Thank you, Mike. Yes, I think downtrading will still continue, especially in this kind of situation despite the improvement in inflation. Downtrading is still going on. We are lucky that we are playing in that kind of segment, so we see that continuing support from the consumers in this quarter.

Mike Paska:

Thank you. Jesse, next question is for you, and this is if you can provide any status on the capacity issues that we've had during the third quarter and how we're doing now.

Henry Soesanto:

You're on mute, Jesse.

Jesse Teo:

Sorry. We provided information on supply chain constraints of our Monde M.Y. San business, the makers of SkyFlakes and Graham, last quarter. This has improved a bit, but we still have capacity constraint. The demand for our MMY biscuits has frankly been going from strength to strength, and we are still experiencing some supply constraint; but this is getting better month after month, so we foresee some more capacity being unlocked, and that's enabling us to ship a little bit better than Q3 once we unlock these capacities.

Similar thing for our MNC biscuits - butter coconut, for instance. This has service issues lately; but the good news is we have our new Davao plant, which will make butter coconut, which will expand our capacity by 100%. It's the first plant to have a BOI tax incentive in the MONDE group. With this being up and running at full speed, we should be able to address supply constraint in the bakery business.

For noodles, our capacity constraint mainly is on our multipack. One of our key strategies to increase consumption for the category, since we're a market leader, is to encourage our consumers to buy bigger and buy more, and that means Kasalo packs and multipacks. For multipacks, we were too successful in trying to seed this with our retailers; and we didn't anticipate that the demand will shift faster, and we just simply didn't have that capacity for multipack. The multipack machines, fortunately, have a short lead time; and we are onboarding new multipack capacity as we speak, and so we should have more multipack capacity, and we should be able to sell more starting this quarter.

Mike Paska:

Thank you, Jesse. Next question is for Nick and this is, can you provide any update or details on the inventory reduction efforts? How is this going and how do you see this going forward?

Nick Cooper:

Thanks, Mike. Yeah, so the inventory reduction is an important plank of our focus on cash, which has allowed us to stay cash neutral for the first nine months of this year. If you look at the inventory values in total, they have dropped from a high in the middle of 2023 to a position now which is over a billion pesos lower. So it has freed up very significant cash, and we've been able to do that with no impact on our service levels; so service levels remain very, very strong. We do anticipate further inventory reductions, opportunities for the year to go and through next year, but they will be smaller in size than we've been able to deliver in the past 12 to 18 months.

Mike Paska:

Thank you, Nick. Nick, I have another question for you, and this is if you can provide any more details on what drove the non-cash impairment of 7 million pounds.

Nick Cooper:

Yep. So the non-cash impairment of 7 million pounds taken in Q3 is principally tangible fixed assets in our supply chain, the bulk of which sit at our Belasis site, and with a result of a review of the utilization of those assets and the ability to support their carrying value from an accounting perspective.

Mike Paska:

Thank you, Nick. The next question is for Marco, and this is if you could just comment on what is driving the volume decline despite easing inflation in the UK? If you can comment on any kind of dynamics that you're seeing there.

Marco Bertacca:

Yeah, thanks Mike. So first of all, the category which we are really counting on has not yet seen a recovery; so the category still declining around 9%. That is driven still by the tale of consumer confidence and the fact that the overall expectation on better products, the overall expectation on health coming back to be at the core, at the forefront of consumer, has not happened yet. So we see some early signs of that changing, but still too early to say. In particular, on top of that, we've taken also some action in simplifying our portfolio. So some of the decline is driven by the category. Some of the decline is by us. We have decided to simplify our portfolio. As I mentioned earlier, we are looking for an overall transformation of the supply chain; and with that, we have also decided to step away from some product categories and some customers that were not helping us with our simplification. In particular, if I can give you an example, our food service business, which you've seen flattish this quarter, you could see that if you take into account one specific customer for which the level of profitability and the level of complexity was too high, that we decided to step away from. Year-on-year, we are on an increase of sales of 6%. So part of the category impact ourselves.

Mike Paska:

Okay. Thank you, Marco. Jesse, the next question is for you, and this is noodle volume was flash in Q3 and market share had a slight dip quarter-over-quarter. Can you provide any color on that?

Jesse Teo:

Yes. So I mentioned earlier we do have a supply constraint on the multi-pack business and we expect to unlock that and recover or gain even more share versus year ago.

Mike Paska:

Thank you, Jesse. And then another question for you is on the gross margin being helped with manufacturing overhead efficiencies, can you provide more details on this?

Jesse Teo:

Yes, so it's economies of scale because of higher volume, number one. And number two, labor productivity, so we were able to control labor costs much better while producing more.

Mike Paska:

Okay. Thank you, Jesse. Marco, I have a question for you, and this is previously there were mention of using mycoprotein for other industries as raw materials. Has that progressed any further?

Marco Bertacca:

Yes. So as we've announced, we have created a new division, which is Marlow Ingredients. We have initiated the collaboration with food and beverage businesses in providing them mycoprotein for their product. We have some initial successes. We have now about seven customers that are buying from us. We see that as a very important area for future growth, but we will come back to this forum when we have concrete examples of success; and we hope that this will be in the next couple of years.

Mike Paska:

Okay, thank you. Henry, I have a question for you, and this is on the new fresh gata coconut cream product. Can you just provide in terms of how do you see the competitive landscape and what is our competitive edge?

Henry Soesanto:

I think we are going to compete on the level of quality, taste, and then of course the sustainability angle. So the quality because of different processes here. So we process differently on the materials, exposing it a very short time to heat. We hope that the quality will be very, very close to fresh as compared to the competitor's products. So you can feel the taste is different, and of course that is because of the packaging system here. We are applying a different packaging system, reducing by almost 35% the plastic component here. That gives you the possibility of a better product, better tasting product, fresher product. And also, this category, the penetration rate is only 9%, so there is big empty space here.

Mike Paska:

Okay. And thank you, Henry. Just related to that question, in terms of growth going forward in general, are there any categories or products that you see as driving growth in the future?

Henry Soesanto:

Yeah. We have to look at this very, very carefully. We are looking at the possibility of entering categories that's for the future, because as you know, our core business today, we have been enjoying high market shares here. You can expect that the growth is not going to be double-digit every year. We are looking very, very carefully into other categories.

Mike Paska:

Thank you, Henry. Jesse, this is a question for you. What was the spend on marketing in APAC BFB in the third quarter?

Jesse Teo:

We invested in a lot of equity advertising in Q3. We talked about, for instance, our SkyFlakes *Asahan Mo* campaign. We started to win share after more than two years. We recovered share, and we did so by not out-promoting competition. In fact, we scaled down our promotions but invested in equity advertising, reminding people of the affiliation they have when SkyFlakes became their beloved brand. Equity advertising, investing in reminding consumers why they should continue to choose SkyFlakes despite the slight premium, that worked for us. Obviously, that resulted to the turnaround for our biscuit business; and so much so that we are out of capacity these days for most of our biscuits business.

Mike Paska:

Thanks, Jesse. Also for you is should we expect the gross margin gains that we're making to be reinvested going forward in promotions?

Jesse Teo:

Let me comment on the promotions first. Not necessarily on promotions. There are some healthy promotions and some not healthy promotions. Competing on promotion alone is not sustainable from a growth standpoint, so we are very careful in that. We would rather spend as we did on equity-building advertising, like we did for SkyFlakes, because we believe that leads to more consistent growth. On reinvesting some of the gross margin, that will continue to happen. Our gross margin expansion is quite rich. Some of that will be reinvested, but some part of that will flow through the bottom line.

Mike Paska:

Thanks. Thanks, Jesse. Nick, the next question is for you, and this is if you can provide any more color on the supply chain transformation, which is supposed to take a couple of years to complete, do you have any more details that can be shared?

Nick Cooper:

Yes, a little bit. We see a significant opportunity in terms of building a more agile and more efficient supply chain. We've taken some initial steps which are principally related to the lower volumes that we're facing right now. But then under the leadership of Mike Tan, we're working through a full end-to-end review and transformation of the supply chain to simplify the flow of products through that supply chain, to reduce the inventory and the cycle time within that supply chain, and also to be able to run the supply chain with a leaner resourcing structure and a lower level of waste throughout that supply chain. As you'll appreciate with the nature of that broad and deep change, it will take some time. We have some of the benefits built into the numbers that Henry shared earlier on, but we will update in terms of further benefits as we work through that transformation program over the coming months and a year to two years.

Mike Paska:

Thank you, Nick. Jesse, can you comment on how Goodnom is priced relative to the other competitor?

Jesse Teo:

We don't give specific pricing guidance versus competitor, but what I can say is it'll be competitive price. It'll be better quality at competitive prices.

Mike Paska:

Thank you, Jesse. Another question for you, and this is there a scope for higher dividends in succeeding quarters given the improving profitability relative to prior years?

Jesse Teo:

I think we are committed to execute, as we promised, at least 60% of our net profit. That's all dated that profit after tax to be dividend out. We have exceeded that I think for this year, and we will try to overachieve that next year as well.

Mike Paska:

Thank you, Jesse. A question for you, Jesse, another one is, can you give any updates on the Nuvi chocolate milk drink?

Jesse Teo:

Transparently, it's below our expectation so far. Overall, however, in common select accounts where we had done trial programs, meaning sampling programs, the response has been really very positive, four or five times repeat rates for those. Moreover, and in what is a barometer for a convenience chain account, we have in a very short time reached its minimum unit sales per store per day thresholds. This bodes well. In a very short span of time, we already reached that. We hope to get more trial, and the trial as we've seen in the select stores or the sampling there was very strong repeat. We will try to accelerate trial programs in order for us to accelerate the growth.

Mike Paska:

Thank you, Jesse. Next question is for Henry. And Henry, this is if you could provide any color on the Amico acquisition and how would it synergize with operations? Likewise with Figaro, what are the plans going forward?

Henry Soesanto:

We have to admit that initially we thought the brand of Figaro can help us enter into the new category there; but we found out that this possibility is slim. We are today trying to look for the exit on this, but basically we said that investing in Figaro hoping that we will bring the brand into the consumer segment has not been successful.

Mike Paska:

Thank you, Henry. Nick, next question is for you. And this is next year, the guidance for 2025 is EBITDA positive. Can you provide any details or color, any further details on this?

Nick Cooper:

Mike, the guidance that we've got for next year is driven largely by the benefits that we anticipate from the restructuring that we've spoken about that will provide a significant tailwind to the business, both in the short term and set us up stronger for the long term as well. In terms of the top line, it's difficult to forecast at this stage where the top line is heading through this year. In the midterm, we anticipate the market recovering and returning to growth. Calling exactly when that will happen is very, very difficult. The steps that we've taken will allow us to get back to positive EBITDA through our items that are directly within our control.

Mike Paska:

Okay, great. Thank you, Nick. Jesse, a couple questions for you. And this is the first one is what particular categories are driving the favorable mix? And also if you can just remind us of the margin differential between categories.

Jesse Teo:

For competitive reasons, we will not give specific margins for each of our categories. I think these are competitive sensitive information. But in particular, I think I mentioned it, our SkyFlakes brand is one of the highest gross margin brand that we have; and it has experienced a turnaround because of the *Asahan Mo* campaign, and the growth in SkyFlakes and the share gain of SkyFlakes is helping our overall mix.

Mike Paska:

Okay. Thank you, Jesse. This is a question just related to 2025. And what factors do you see that would have the most impact on gross margin next year?

Jesse Teo:

Factors, there are three main factors that will affect our COGS. Wheat costs, which so far is behaving - depending on the type of wheat, some are still within 25% on a one-year basis or 48% on a one-year basis. Palm oil, actually, is worrying. As I mentioned earlier, it's on a one-year-high. And it looks like it is on an upward trend in the recent days. However, there is some hope because the future curves are backward dated. The last point, which is a big unknown, is the exchange rate. Peso-USD is testing all-time highs, and we don't know how bad it could get. We have a good stockpile of over 80 million, so we are protected there. And we have a conservative risk management strategy to buffer ourselves against any major movements in currency, but our buffers will not last forever. Let's see how we need just to be agile on the movements of these three big factors.

Mike Paska:

Thank you, Jesse. This concludes the question and answer portion of the call. I would now like to turn it back over to Henry for his closing remarks.

Henry Soesanto:

Thank you. Thank you, everyone, for your participation in this call and continued interest in our company. In summary, during the third quarter, we continue to have strong core profitability, largely due to lower commodity costs and manufacturing overhead efficiencies. We do expect this higher gross margin on year-on- year basis to persist and the strong core profitability to continue in fourth quarter. While the improvement in Q3 gross margin for our meat alternative business is encouraging, for the time being, our focus remains very much on cost control. The Quorn team is striving to deliver EBITDA breakeven or better for the year, and we will work on each restructuring and business transformation plans to place the business in a stronger position. With that, I look forward to speaking to you next year when we hold our fourth quarter earnings call. Until then, stay safe and healthy. Thank you.

Mike Paska:

Thank you.