



Transcript of Monde Nissin Corporation (MONDE)  
First Half 2025 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

David Flochel – Chief Executive Officer, Quorn Foods

Nick Cooper – Chief Financial Officer, Quorn Foods

**Mike Paska:**

Good afternoon and welcome to Monde Nissin's first half 2025 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 from the Quorn team we have David Flochel, Chief Executive Officer; and Nick Cooper, Chief Financial Officer. By now, everyone should have access to the earnings press release and presentation. These were all posted earlier today on the PSE Edge website. 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, and I encourage everyone to read the disclaimer in today's presentation. Now, I'd like to turn the call over to Henry to discuss first half business performance.

**Henry Soesanto:**

Thank you, Mike, and good afternoon, everyone.

Before we get into the details, I want to share the takeaways for this earnings call. First, for APAC BFB, top line growth continues to be driven by our biscuits and culinary businesses, with noodles experiencing improving sales trend. Gross margin took a hit, but we have mitigation measures in place. For meat alternative, we achieved positive results in our UK retail business, increased gross margin, and had another quarter of positive EBITDA. We believe our gross margin progression is sustainable thanks to the transformation benefits, lower inventory, lower input costs, and targeted selling price increases. Lastly, for guidance, top line remains on track versus our full-year guidance, while we have updates for our guidance on APAC BFB gross margin. Jesse will discuss this later in more detail. Now, let us move on to our first half business updates. Next slide, please.

Our consolidated revenue increased by 3.8% year-on-year in Q2 and 3.3% in the first half. Our APAC BFB business, which comprises 84% of top line for Q2, grew by 5% year-on-year in Q2 and 4.6% in the first half. With our growth, we sustain our market leadership position for Q2 2025.

Noodles experienced market share growth of 160 basis points to 69%. We have share growth across all segments. On a macro level, our noodles business outperformed the category. Our share growth is led by our Kasalo pack, and we will talk more about this in the next slide. In addition, our chicken calamansi and beef calamansi instant mami, familiar flavors borrowed from our dry pouch variants that represent a premiumization of our instant noodle portfolio, continue to drive incremental growth. We now see a K-curve at play as we continue to enjoy good growth in modern trade and cups, while our general trade and instant mami businesses which cater to the less affluent socioeconomic consumer segments are seeing a decline. We'll continue our brand-building efforts on our Kasalo pack for our value-driven consumers and push bolder flavors through our spicy variants and premium flavors. Our Philippines business improved sequentially by 4% and this continued into July, which helped by the rainy weather was the best month of the year so far. Next slide.

Specifically, on Kasalo, we are proud of what the product has achieved. It started when a competitor launched a value proposition of bigger packs. It immediately gained acceptance from the value-conscious consumers, and we did not wait too long and decided to launch in 2022 to arrest our share decline. After less than three years, Kasalo packs, helped by the strongest leading brand, Lucky Me!, was able to take the lead versus our competitor last month, June 2025, and has been propelling our dry pouch market share upward to 81.7% in the first half through incremental share gain. On a regional and channel basis, year-to-date market share data as of June 2025 shows that Kasalo is bigger than its key competitor in the Greater Manila Area, South Luzon, Mindanao, supermarkets, and grocery channels. At the same time, Kasalo provides better value on per gram basis for consumers while giving us better gross margin per pack. All this was accomplished through the strength of our brand with an aggressive above the line and grassroots efforts, and we will work on maintaining this growth momentum. Next slide, please.

For biscuits, market share grew by 40 basis points to 29%. On the macro level, our biscuit business outperformed the category. Our share growth is driven by SkyFlakes, M.Y. San Grahams, and Nissin Butter Coconut. Back-to-school campaigns and new usage occasions supported the quarter, while a growing number of Filipinos are discovering snacks through social media and advertisements. With this, we will sustain heavy above-the-line and below-the-line support for SkyFlakes, Fita, M.Y. San Grahams, and Nissin Butter Coconut to strengthen brand power including via social media. Next slide.

For oyster sauce, our market share improved by 70 basis points to 60%. Mama Sita's continues to drive penetration and consumption for the category. As of May 2025, category household penetration increased to 61%, 45% of which is driven by Mama Sita's brand. There seems to be a resurgence of home cooking as Filipino consumers adopt more cautious spending habits. We will continue to emphasize the overall value advantage of oyster sauce over soy sauce to drive category and brand relevance.

For beverages, yogurt drink shares remain stable at 88.4% and cultured milk remains a strong challenger with 26.6% market share. Category slowdown is softening but continues due to aggressive growth of lower priced, ready to drink categories. The category is expected to become more relevant and recover with the back-to-school season.

Our meat alternative business, which comprises 16% of top line for Q2, is starting to show benefits thanks to the Transform to Win program we talked about in the previous earnings call. On top line, we saw some positive progress in UK chilled driven by UK Quorn snacking which grew 42%. While UK Quorn snacking is only 14% of the meat alternative business, it has tapered top line decline to mid-single digit

this quarter. On gross margin, we previously shared strong progress in Q1 and this further strengthened in Q2. Lastly, on core EBITDA, we are in positive territory after funding A&P investment in Q2. For July, we saw for the first time in several years, year-on-year growth. While still in early days in our turnaround, this is a very encouraging sign. With that, I will hand over to Jesse to talk in more detail about our financial performance.

**Jesse Teo:**

Thank you, Henry. I'll start with the top line, which I describe to be improving trends with acceleration on a consolidated basis and APAC branded food and beverage basis, and decelerating declines for the meat alternative business. Top line for consolidated basis grew at 3.8% in Q2, and this compares favorably with the 2.8% consolidated growth in Q1 and brings half one growth of top line to 3.3%. Zooming on APAC, we grew 5% right at our guidance level in Q2. This compares favorably with the 4.1% we delivered in Q1 and brings our half one growth on top line to 4.6%. For meat alternative, we declined only 2.1% for Q2, and this compares favorably with the Q1's decline of 3.8% and brings our half one decline to now just -3%. Next slide please.

However, on a bottom line basis we have big challenges in gross profit, primarily in the APAC BFB business. This is due to the high commodity costs, specifically palm and coconut oil. We will discuss these commodity trends later on. Because of the challenges in these commodity costs, the gross profit on a consolidated basis declined by 3.4% in Q2 with gross margin going down by 240 basis points. For the first half, the decline in gross profit was 1% and the decline in gross margin was 140 bps. Moving to core net income, on top of the decline in gross profit, we saw an unfavorable movement of exchange rate. Recall that we have north of USD 100 million in USD stockpile to hedge against our US dollar short position. We had a huge gain last year in the base period in 2024 compared with the modest FX loss this year as the peso settled at PHP 56.33 at the end of Q2. This contributed to a decline of 18.5% on core net income on top of the gross profit decline that we talked about earlier. Of course, today the USD to PHP exchange rate is now hovering at PHP 57.50, so whatever loss that we have booked in the first six months should now be an exchange gain. This brings our core income to a 7.2% decline ending the first half at PHP 4.7 billion. This represents a 1.3% decline in the core net income margin. On a reported net income basis, we compared favorably versus the base period, but it is due to a non-cash adjustment. The base period in 2024 included a PHP 1.5 billion adjustment on the guarantee asset of meat alternative. Compare that with the current year adjustment of PHP 15 billion, this resulted in a huge increase. We urge the audience to focus on the core net income to evaluate our results. Next slide, please.

We were able to translate most of the core net income of PHP 4.7 billion in the first half into cash as we delivered a strong PHP 4.3 billion in cash in the first half on a consolidated basis. This brings our cash equivalent level to PHP 11.1 billion - very robust considering that we paid PHP 2.7 billion in dividends, we paid PHP 2.4 billion in debt primarily in the UK, and we paid down US dollar trust receipts to take advantage of the favorable exchange rate in Q2. Moreover, our retained earnings in the two key Philippine entities, Monde Nissin Corporation, the parent entity, and Monde M.Y. San Corporation, has robust retained earnings balances. For dividend purposes, these are the two entities which are the source for retained earnings that we make available for dividends. As of the end of the first half or June 30<sup>th</sup> 2025, we have accumulated PHP 8.1 billion in retained earnings. Next slide please.

Now, drilling down on the by category growth rates. As Henry mentioned, our growth continues to be fueled by biscuits and others, others primarily by culinary, as we experience double-digit volume growth for these two categories. Noodles was flat in Q2. This compares favorably with the negative 4.5% decline that we reported in Q1. The trends are improving. In fact, Henry alluded to a strong July. We started to see growth back in noodles in July. One other noteworthy point is the contribution of others. You will

see on the left side of the chart that others is not just a growth accelerator, it's becoming a meaningful part of the APAC branded food and beverage business. As of 2Q, it's now nearly a quarter of the business. Next slide, please.

Zeroing in on the cross-marketing challenges by talking about the key input cost trends. For wheat, we have good lock-ins with favorable trends for the rest of the year. We expect these to flow through the gross profit and gross margin and onto the bottom line. For palm oil, we had advised before that we have sequentially better prices quarter on quarter. However, the thing that was not according to our expectation was the slow volume for our noodle business. Palm oil is mostly used by noodles, and because our noodles volume were soft, the consumption of more expensive palm oil was delayed, so we will have to wait a few more months to start enjoying the lower price palm oil that we have already locked in. Our lock-ins for the second half is substantially covered already for the full year. Now, onto the big change with the next slide.

Coconut oil had a very steep increase of 109% versus year ago. Coconut oil, because of this steep increase, is now 7% of APAC BFB COGS. As you can see from the long-term chart that we're showing, coconut oil has been quite volatile with high peaks and low valleys primarily driven by supply, and supply is largely driven by the climate. Dry weather means less productive trees, and wet or rainy season signals more productive trees. When there are pronounced weather disturbances like El Nino, you will see production and productivity go down significantly. Based on past trends, there is commonly a reversal after a prolonged dry season when the rains start to come. However, one of the things that have changed recently is there have been rising demand for coconut oil, not only here in the Philippines. As you know, one that is enlarged our own package coconut cream recently, there's also rising international demand for coconut and coconut-related products, not only for traditional food items but for health and industrial purposes. In addition, there is that Philippine biodiesel mandate, which up to now is at 3%. The biodiesel consumption is roughly about half of the domestic consumption of coconut. As soon as we saw that the steep increase was out of the ordinary and coconut prices were reaching uncharted territories, we immediately took action by making surgical and calibrated price increase. Surgical because we only increased prices for coconut oil-affected SKUs, and calibrated because we still believe that there will be a reversal, of course, on the prices as supply improves in the back half. And so we did not price ourselves out in the market by assuming that prices would've been forever. But as we hope for the best, we need to be prepared for the worst. Certainly, the climate effect is nothing new, but the demand increase is quite unprecedented. We need to be ready and agile to take further pricing action, and even review our formulation for potential substitution if the current high prices are persistent. Of course, formulation will take a little bit more time because we need to make sure that we vet those new formulations so that we don't disappoint our loyal consumers. Next slide please.

Now onto the bottom line financials for APAC. As I mentioned, these two commodities, palm oil and coconut oil, drove gross profit down by 4.7%, gross margin down by 330 basis points. For the first half, gross profit is down by 2.1% due to the performance in Q2 and gross margin is down 240 basis points. OPEX is quite steady. You will see A&P is very much in line with year ago. That's why on EBITDA, gross profit is just a flow through. The decline in EBITDA is just a flow through of the decline in gross profit. Core net income declined a little bit more than core EBITDA because of the unfavorable FX movement that I explained earlier. Now, on to meat alternative with the next slide.

Meat alternatives. As I mentioned, sales declined by 2.1% for the quarter. Transparently, the 2.1% decline in peso terms was helped by a favorable GBP-PHP exchange rate on an organic constant currency basis. The decline was actually 4.8% on volume decline of 8.5%. The business was helped, as Henry mentioned, by 42% growth in UK Quorn snacking, which is now 14% of the total meat alternative business. The highlight of the meat alternative financials, however, is gross margin progression. We have 254 basis points improvement in gross margin the first half, and over 200 basis points improvement in

Q2. And we believe that these are sustainable because we are funding it with transformation programs, lower inventory which results to lower obsolescence and lower carrying costs, lower input costs, some of which are already locked in all the way to 2026, and prices that have been increased on a targeted basis. This is only partially offset by the lower production volume. We're hoping that the July trends that Henry talked about continue so that the penalty on lower volumes on gross margin will be lessened through time. And as Henry mentioned, we reported positive EBITDA despite the A&P investment we made to promote the Q2 snacking campaign in the UK. With that, I'll turn it back over to Henry to talk about the guidance on top line, bottom line, and on CapEx.

**Henry Soesanto:**

Thank you, Jesse. As mentioned, we have some updates to our full year guidance. Top line remains the same. For APAC BFB, we expect mid-single-digit growth for the full year. So far this quarter, we have experienced good growth across all our APAC BFB domestic categories. For meat alternative, we aim to continue to slow down our sales decline through the team's transformation efforts. On profitability, we are updating our gross margin guidance for APAC BFB. Full year gross margin may be 1 to 2% lower versus 2024, with second half margin at least 1% better than our first half. This is assuming that coconut prices stay high in the coming quarters. For meat alternative, a guidance of mid-single-digit core EBITDA in GBP million for the year remains unchanged with uneven profitability through the quarter.

On CapEx, we are updating our APAC BFB CapEx guidelines from PHP 6.6 billion to PHP 3 billion mainly due to more realistic construction progress. This brings our total CapEx guidance for the year to PHP 4 billion pesos. We continue to focus on our CapEx spending on APAC BFB while keeping CapEx for meat alternative. With that, we are now ready for Q&A.

**Mike Paska:**

Thank you, Henry. This concludes our formal comments. I will now moderate Q&A. Questions can be submitted via chat box, and we'll attempt to answer as many questions as possible.

The first question is for Jesse. The coconut oil upcharge is a surprise. Why was this risk not highlighted before and is there any hedge against this?

**Jesse Teo:**

So, coconut and coconut-related input costs was previously about 4%, and frankly it was out of our radar speed primarily because in 2024, it was a big tailwind for us. Coconut prices, coconut input costs were actually going down. Moreover, I think you saw the extreme seasonality of that. When we saw initially the prices were going up, we thought that, well, it's just the normal cycle. Once the rainy season hits, it'll go down. However, something probably fundamentally has changed making coconut reach uncharted territory. There is no viable exchange where we could do a hedge for this. We can only adjust the volumes based on our projections. Of course, our projections right now is, as I said, we believe that eventually supply will improve, that will lessen the pressure on the prices. We also got word that the National Biofuels Board, I talked about the biodiesel mandate, there was a planned increase of biodiesel mandate from 3% to 4% and onto 5% by 2026. I think there is a move where the NBB, the National Biofuels Board, will be recommending to the Department of Energy to suspend that increase, and we're hoping that that is already built into the expectation. The lesser demand due to the suspension of the increase in the biofuels mandate would lead to better prices going forward. Now that we have seen the effect of coconut, we are now monitoring it. We're looking for ways to do some financial hedge and also look at the future prices, although most likely because there's no exchange, tradeable exchange, we might have to look for surrogates.

**Mike Paska:**

Just as a follow-up, Jesse, to that. In terms of recent month trends, what are you seeing in coconut oil?

**Jesse Teo:**

On this one, actually, we were a bit surprised. True to form, I mean, June prices were lower than May prices, but we were surprised when we looked at the July prices, it inched up versus the June prices, and July is a rainy season already for the Philippines. That's why we exposed the thinking that we need to be hoping for the best, but we need to be prepared for the worst.

**Mike Paska:**

Okay, thank you, Jesse. The next question is for David, and this is, can you say more about the 42% growth in Quorn snacking?

**David Flochel:**

Thank you, Mike. Significant growth in snacking in Q2 has been really driven by two main drivers, greater execution and improved availability, which resulted in market share gains and penetration gains for the Quorn brand and also for the category. On the improved availability, the more distribution we've been able to gain and the deeper distribution has been driven by broader pack range and longer shelf life. On the execution of the plan, we focused on targeted promotions with shopper marketing investments. These combine with digital and national TV campaigns, which has been successful. It resulted, as you said, in significant growth - 42% in snacking in the quarter, and even more importantly, it has been helping us to increase penetration on Quorn share by 3.6%, 35% on snacking itself, more buyers, of which actually a third were new buyers to the category.

**Mike Paska:**

Thank you, David. David, I have a follow-up here for you, and this is, can you comment on the progress of the meat alternative transformation program?

**David Flochel:**

Good progress for sure in our transformation journey. We are on track to deliver the benefits highlighted in Q3 2024. We always continue to look at more efficiencies and cost savings, but I would say that as part of our Transform to Win strategy, funding the journey is our first strategic pillar, and in there there's two, let's say priorities. The first one is to operate with a lean organization. I think on that front, the program is almost completed, and then we have the full transformation, our supply chain, which will help us to deliver more efficient, flexible factories, reducing cycle times, reducing waste, insourcing more production, and of course operate with a more skilled workforce. On that journey, which is a two-year plan here, we already start to see the benefits in our gross margin improvements. So I would say that both combined helping us to invest behind the brand and the category, but also funding profit recovery.

**Mike Paska:**

Thank you, David. Jesse, I have a question for you, and this is regarding CAPEX. Can you just give us a little bit more details on what led to the lower CAPEX budget for APAC BFB?

**Jesse Teo:**

First of all, we would like to reiterate that our commitment to pursue with additional capacity for our biscuit business. Our biscuit business is growing volumes and we need to support it via capacity CAPEX in order to further fuel the growth. We have seen this happen with butter coconut. As we unlock more capacity, we were able to grow the business. The same thing is happening for our cakes business where we opened up a new plant in Davao and it unlock growth. However, for our new plant in Mabalacat, Pampanga for MMY San, we just need to calibrate it with the construction progress. Obviously, we want to build that new plan as fast as humanly possible, but based on the timings for constructions, this is as fast as we can get. We are still committed to open up that plan by next year, hopefully by Q2, latest by Q3, but the spending would just reflect the construction timing.

**Mike Paska:**

Thank you, Jesse. The next question is for David, and this is, can you share what SKUs are counted under Quorn UK snacking?

**David Flochel:**

It's a range of different formats including cocktail sausages and small bowls and bites, which actually covers a lot of occasions that consumers enjoy in snacking season.

**Mike Paska:**

Thank you, David. Jesse, the next question is for you, and this is regarding noodles. There was a notable slowdown in Q1, particular in soupy noodle segment, and management previously mentioned that a study was being conducted to understand the drivers. Can you share any findings of the study? And then as a second part to this question, what specific action is management taking to improve noodle volumes going forward?

**Jesse Teo:**

So first of all, we'd like to reiterate what Henry said, that we observe a K curve. Some parts of the noodles business like cups, which are more premium, are actually doing well and modern trade is actually growing. So we want to be able to also take advantage of that trend, fuel the growth of cups even further, and drive our modern trade business even harder. For the parts that are weak, which is primarily a soupy noodle or instant mami segment, when we did the study, tried to find out what alternative food they are buying in lieu of instant mami, the conclusion of the study, and this is a Kantar analytics, is that they are buying less food across the board. That means that they're tightening their belt on their food purchases because of that finding. We are refocusing our marketing campaign, especially for instant mami to a value messaging that our instant mami offers great value, and it is. At PHP 8.75 a pack, it offers great value to feed a family, and when you share it it's even greater value.

**Mike Paska:**

Jesse, as a follow-up to the noodles question, how did the soupy noodles do in the past quarter in terms of growth?

**Jesse Teo:**

Just to give you context, in the first quarter, the soupy noodle declined 13% in volume. For Q2, there's a marked improvement in the decline. It's only declined 1.8% for that. So that continues to be a derailer on overall noodle growth, but it's now less so versus previous quarter.

**Mike Paska:**

Thank you, Jesse. The next question is for Nick. And Nick, the question is, are you on track to avoid an impairment in meat alternative business?

**Nick Cooper:**

As I think we've discussed on previous calls, there are a number of variables that go into the impairment calculation, but the delivery of the year one EBITDA is probably the most important one. The guidance that we've given at the start of the year is broadly in line with the values in that model, and as you've seen today, we're affirming that we're on track to hit that guidance. So that's a very important measure of where that calculation will be heading at the end of the year.

**Mike Paska:**

Thank you, Nick. Nick, I have a follow-up question for you, and this is meat alternative sales value declined slowed in the second quarter, but volume decline did not slow. What is driving this stronger value performance compared to volume?

**Nick Cooper:**

So Q2 and the outlook is benefiting from some positives in terms of both price and mix. So the price at the start of Q2, we increased our prices in the UK retail market by a little bit less than 2%, and then the great success that we've been able to drive on snacking is helping us from a mixed point of view. Those products are lower weight and higher priced than the average in our portfolio, and that's giving us the tailwind that you see in terms of the value performance. But looking forwards, we'll continue to drive that positive value performance, but our plans are also very much focused around turning the volume trajectory for the business around as well. So that is a significant focus area for us as well, and you'll hear more about that in future quarters.

**Mike Paska:**

Thank you, Nick. Jesse, I have a question for you, and this is, can you share the contribution of Monde's minority states?

**Jesse Teo:**

Of the PHP 4.9 billion, only PHP 3 million is minority, non-controlling interest, so it's a very negligible amount.

**Mike Paska:**

Thank you. Just have a question for you on commodity pricing. Could you give us an idea of the average lock in prices for wheat, palm oil, and coconut oil in the second half compared to the first half? Also, can you just remind everyone which product categories heavily use coconut oil?



**Jesse Teo:**

Let me answer the second question first. Coconut oil is used by biscuits and noodles, so selected biscuits, depending on what biscuit, some use more, some use less. I will not go through specifics on which particular brands or SKUs use more or use less, for competitive reasons. Noodles also uses coconut oil. On the prices, we won't give specifics. But we can say for palm oil that our peso per kilogram lock ins are sequentially better quarter over quarter for the rest of the year. Without giving the exact peso per kilogram cost, they are better quarter on quarter every quarter for the rest of the year. Q2 is lower than Q1. Q3 is lower than Q2. And Q4 is lower than Q3. For wheat, it's generally lower, but it's not entirely the same trend as our locked ins for palm oil. Palm oil is easier because for palm oil, there's a very good, tradeable exchange with Malaysia. When palm oil had a backward-dated curve, we took advantage of that and locked in good positions during the time that the curves were backward-dated. The exchanges for wheat are a bit trickier because the specific type of wheat that we purchase and the wheat exchanges are not exactly the same.

**Mike Paska:**

Thank you, Jesse. Jesse, I have a question for you on currency. Can you remind us if a weaker US dollar is a net positive for Monde consolidated, given raw materials are denominated in US dollars?

**Jesse Teo:**

Yes, definitely. We estimate that our net US dollar short position is over USD 200 million. Depending on our view on exchange rate, we try to keep US dollar stockpiles at 50 to 60% of that net short position. That's why we have north of PHP 100 million US dollars in stockpiles. Overall, if peso strengthens, we will have exchange loss on the stockpile. But overall, we gained from the PHP \$200 million net short position.

**Mike Paska:**

Thank you, Jesse. Jesse, I have a noodles question for you. Can you remind us of the sales breakdown in noodles? How much is from wet pouch versus dry pouch versus cup?

**Jesse Teo:**

Majority of the business, about 60%, is a dry pouch, 30% is wet pouch, and the rest is cups.

**Mike Paska:**

Jesse, also related to noodles: Can you share how competitors are reacting to our market share gains? Are you seeing more promotions in this space?

**Jesse Teo:**

Actually, competition has brought down their prices and intensified the promotion. I guess it's attributable to our brand strength that we are able to continue to grow our market share and even take the lead for Kasalo, because I think it's on the Kasalo equivalent that they had this new campaign and price off.

**Mike Paska:**

Thank you. Jesse, I have a question for you on US tariffs. Could you just briefly tell us how these announcements are affecting us and what percentage of APAC sales are to the US?

**Jesse Teo:**

Less than 1% of APAC-branded food and beverage sales goes to the US. For biscuits, previously we enjoyed 0% tariff. Now, obviously it's 19%, so the delta, it's quite big. We currently expect that we will pass that on to consumers, so that might affect demand. But again, it's just 1% of our total APAC-branded food and beverage turnover. For noodles, the previous tariff rate was 6.4%. Obviously now, a 12.6% delta. For meat alternative, the portion that goes to the US is bigger. I'll let Nick elaborate on that.

**Nick Cooper:**

Thanks, Jesse. About 4.5% of the meat alternative sales were in the US. The food that we sell there is imported as finished goods or as intermediate, and the tariff change there takes us from 6% tariff to 16%.

**Mike Paska:**

Thank you. The next question is for David. David, the question is, can you comment on the meat alternative sales in July?

**David Flochel:**

Thank you, Mike. We had a good start to Q3. We have seen some encouraging, first positive signs in July with modest growth. Modest growth, which was driven by UK retail and snacking, but also some good performance in QSR in Europe. This is good. However, I just want to highlight that there's still a lot of work to be done so that we can see in the future consistent growth month-on-month. Our focus remains really on execution on the Transform to Win strategy, stabilizing the business performance, and adapting to the evolving consumer preferences.

**Mike Paska:**

Thank you, David. Jesse, I got a question for you. This is, can you elaborate a bit on the K-curve trends you are seeing in noodles?

**Jesse Teo:**

As Henry mentioned, we had strong growth in cups. Our cups enjoyed 12% volume growth in Q2, and modern trade is up nearly 6%. While Instant Mami, the soupy noodle is down 2%, as I mentioned earlier. And general trade is down almost 6% as well. It's the product and the channel that really caters to less affluent socioeconomic segments that are really challenged. We need to make our value-emphasis campaign work harder for us in order for us to address the decline in general trade and in the Instant Mami segments. So far so good, the declines have gone down quite significantly versus Q1, but we need some more work to bring it back to growth.

**Mike Paska:**

Thank you, Jesse. We have one final question. And this question is also for you, Jesse. The question is: Biscuits and culinary posted double-digit volume growth. Can you elaborate on the specific consumption trends or distribution expansion driving this outperformance, and are these gains sustainable in the second half?

**Jesse Teo:**

Let me start with culinary. Culinary growth is largely from penetration. You heard Henry mention that 61% of the households now use oyster sauce, 45% of which use the Mama Sita brand. The penetration gain is quite sustainable. As we teach consumers to replace soy sauce with oyster sauce, we get more households to consistently use oyster sauce in their cooking repertoire, so that gives us confidence. Along with GoodNom also, because GoodNom, though it's in short supply because of the coconut shortage, whenever we make it available the uptake from the consumers has been really good. The reception from the consumer has been really good. We're very confident that we will have double-digit volume growth onto the second half. For biscuits, we are now lapping high numbers or we initially started to see the gains. We project high-single digits for the back half after a very strong double-digit first half.

**Mike Paska:**

Thank you, Jesse. This concludes the Q&A. I would now like to turn it back over to Henry for closing remarks.

**Henry Soesanto:**

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

In summary, our APAC BFB business delivered modest top-line growth in the second quarter, driven by volume growth in biscuits and culinary. So far this quarter, we have experienced good growth across all APAC BFB domestic categories, with July being the best month of the year so far. While we have experienced pressures on our Q2 gross margin, we have implemented a range of pricing and cost-savings initiative to address this. We expect gross margin will improve in the second half of the year. However, full year gross margin is expected to be lower than last year, reflecting ongoing input cost pressures.

For meat alternative, we are pleased to report continued improvement during the second quarter. Our gross margin expanded over 200 basis points, and we achieved positive EBITDA, performing in line with the expectations of the latest meat alternative valuation. In July, we saw a modest year-over-year increase in mid-alternative sales, which was our first growth after several years of decline. While it is still just one month, it is an encouraging sign, given ongoing category headwinds. We remain focused on stabilizing performance and adapting to evolving consumer preference.

With that, I look forward to speaking to you in November when we hold our third quarter earnings call. Until then, stay safe and healthy. Thank you.