Transcript of Monde Nissin Corporation (MONDE)
First Half 2026 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

Michael Paska:

Good afternoon and welcome to Monde Nissin's first half 2026 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 with us 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 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, and I encourage everyone to read the disclaimer in today's presentation. Now, I would like to turn the call over to Henry to discuss first half 2026 business performance.

Henry Soesanto:

Thank you, Mike, and good afternoon, everyone. Before we get into the details, I want to share the key takeaways for this earning call. For APAC BFB, top line growth was driven by our biscuits category and our strategic growth category. This is formerly known as "others," which we will discuss later. Gross margin improved year-on-year, reflecting the impact from pricing actions and our cost management initiatives. However, it declined by over 200 bps sequentially due to the normalization of contra revenue spending and higher energy-related input costs. For Protein, we saw continued positive trajectory driven by UK retail and snacking. We also saw another period of increased gross margin with our year-on-year gross margin progression driven by transformation benefits, lower inventory, and targeted selling price increases. Lastly, our first half EBITDA exceeded our full year 2025 EBITDA, and EBIT continued to stay positive for a second consecutive quarter. All in all, our first half resulted in a record core net income attributable to shareholders, as well as a solid operating cash flow that is 77% higher than the cash flow for the same period a year ago. Now let us move on to our first half business updates. Next slide, please.

Our consolidated revenue increased by 4.6% year-on-year in Q2 and 6.8% in the first half. Our APAC BFB business, which comprises 83% of top line, grew by 3.1% year-on-year in Q2 and 5.9% in the first half. Noodle's market share was stable in Q2. On the macro level, our noodles business performed in line with the category as our gains in wet pouch was offset by softness in dry pouch and cups. We continue to see the K-curve at play as we enjoy good share growth in wet pouch. The increasing share by premium players in the dry pouch and cup segment also supports this. Our value share remains steady even as we gained 50 bps in volume share. Volume share gains are due to our recovery in the wet pouch segment, while we have challenges in dry pouch due to the rise of imported premium players. We also lost some ground in cups with our Q2 shares slightly down. To participate in the growing premium segment, we launched Lucky Me! Stir-Fried Jjamppong in selective chains in Q1, which continues to perform well. The launch targets growing in the demand of flavors beyond the usual, leveraging Jjamppong's strong Korean equity and number one cup flavor position, while expanding in the dry pouch segment. We will continue our brand building by communicating recipes and pairing ideas to increase usage, and rolling out digital campaigns and regional activities. Next slide.

So for biscuits, market share remained stable at 28.7%. Our biscuits business underperformed the category, driven by softness in the cracker segment. In particular, our M.Y. San Grahams product was challenged as the high inflation environment shifted consumer priorities which may have affected at-home desserts. While we returned to our #2 challenger position in Q2, our priority is to recover shares in crackers by intensifying distribution and in-store execution in underpenetrated areas, supported by local communications. For SkyFlakes in particular, we have improved the product, making it crunchier than ever. We will also continue scaling our sandwich segment through Bingo and Sumo, and rebuilding M.Y. San Grahams by broadening dessert occasions through digital content, strategic partnerships, and seasonal programs. Next slide, please.

For oyster sauce, our market share improved 360 bps and hit a record 64.8%. Mama Sita's continues to drive penetration and consumption for the category. The resurgence in home cooking continued as Filipino consumers adapt more cautious spending habit. 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 declined to 83.9%, while cultured milk shares improved to 27.9%. For yogurt drinks, despite high single digit sales growth for Dutchmill, our Q2 sales value shares is down versus year ago. There's a new competitor making inroads and gaining shares. We will prioritize share visibility while reinforcing consumer preference on our flavors. For cultured milk, growth was driven by improved product availability and geographic expansion. Lastly, for packaged cakes, we are a growing #3 in the overall category, but dominate in the premium segment with over 65% market share. This was driven by our Monde Classic rounded cake format. Additional capacity and expanded distribution will support wider availability of both of our rounded and bar cakes. Next slide please.

So the "others" category now comprises 24% of our APAC BFB business, from less than 20% around the time we did the IPO. Our beverage, culinary, and packaged cakes businesses that make up the category we used to call "others" have grown mid- to high-teens CAGR during the period. As the category cements itself as a key pillar and driver of our overall business, we are repositioning and calling it as "strategic growth" category to better reflect its growth potential in terms of sales, profit, and ROIC. Next slide, please.

Our protein business, which comprises 17% of the group's top line for Q2, had a strong quarter with growing sales and positive profit at the EBIT level. We continue to build the Quorn snacking business with an 8th consecutive quarter of growth, which was powered by the UK launch of Protein Bites supported by targeted marketing campaign. This brings our snacking portfolio to around 15% of our protein business in terms of value. The launch of Protein Bites, which offers healthy protein and fibers, follow a new trend of consumers who combine their snacks and meals to reduce overall food consumption. This puts Quorn snacks in a food-to-go fixture at the front of the store. We are seeing this new product building good potential, playing into the new convenient retail format for single consumption, and catering to much wider audience even beyond the UK and Europe. We also believe that this is a scalable new part of the portfolio where taste, convenience, and health are rewarded with a higher price point, which will be accretive to our gross margin of protein portfolio as a whole. With that, I'll hand it over to Jesse to talk in more detail about our first half financial performance.

Jesse Teo:

Thank you, Henry. Next slide please. I'm very glad to report the financial headline, which is very strong bottom line growth where we have a record first half that continues our trend of booking record profits. Recall we booked record profits in the first quarter as well. This profit translated to cash profit as our cash flow is more than 100% of our core net income, and grew by close to 80% versus same period year ago. This was supported by a modest but balanced sales across the two segments. Both APAC Branded Food and Beverage and Protein businesses contributed to sales growth. Consolidated sales was up 4.6%, bringing first half revenue growth to 6.8%. APAC BFB had a modest 3.1%. We had categories performing really well, with strategic growth leading the way. Biscuits had positive elasticity despite the price increase, while noodles struggled with the elasticity during this pricing period. We'll talk about that later on. For our protein business, we had a very strong top line growth on a peso basis - 12.3%. Much of the 12.3% is FX related, but on an organic basis we grew a respectable 2.7% from 1.7% of volume growth. This brings first half growth to 12% on a peso basis. With the performance in the first half on top line, the protein business now accounts for 17%, while 83% is made up of APAC branded food and beverage. Next slide please.

On gross profit, both APAC branded food and beverage and protein business contributed to gross margin accretion versus year ago. Overall, our gross margin improved by 250 basis points for the second quarter and by more than 190 basis points for the first half. Gross profit grew in line with that. Core net income increased stronger than gross profit because of the good positions that we have in our US dollar stockpile. Recall, because we have a US dollar short position in our operations, we deliberately keep our cash in US dollars in order to act as natural hedge. This worked really well for us when the peso depreciated, and we realized the gains from the FX weakness. This brings first half profit up by 6.1% versus a year ago. Reported net income has an even higher growth of 26.4%. This is due to a more stable valuation of the guaranteed asset as well as reduced restructuring spending in our protein business. Again, we would like to guide everyone to judge our bottom line performance on core net income attributable to shareholders. Next slide please.

As I mentioned earlier, our profit translated to cash. In fact, our operating cash flow is more than our core net income; and even if you subtract out the Php 1.6 billion that we spent on CapEx, our net cash flow after CapEx is still higher than our core net income. This is why our cash and cash equivalents is just down Php 1 billion. This is after paying out Php 7.1 billion in dividends and spending Php 1.6 billion in CapEx. We have a robust cash balance, and we continue to see our superior core ROIC in play as we translate profit to cash. For the retained earnings of our list co, which is Monde Nissin Corporation, as of end of June, is at Php 10.4 billion pesos with our other main entity, Monde M.Y. San Corporation at Php 1.5 billion. This brings a subtotal of our retained earnings for the two key entities to Php 11.8 billion. Next slide, please.

On our APAC BFB revenue side, while we had modest growth and various reactions to the pricing changes that we made, we were not firing on all cylinders. Noodles was weak at -2.3% for the quarter, bringing first half growth to only 1.5%. Net pricing helped by 3.8%, but we suffered 6.1% decline in terms of volume. Biscuits performed well and enjoyed positive elasticity. Even with the 3.9% increase, we managed to increase volume by 0.9%. And as Henry mentioned on strategic growth, it continues to be a key driver of our top line, growing volume by double digits, both for the quarter and for the first half. Next slide, please.

On key bottom line concerns, wheat, which is 14% now of our APAC BFB COGS, is fairly locked in for the entire year. We have 100% locked in for our requirements in Q3, and circa 75% locked in in Q4. These lock-in positions are very favorable versus the current market prices. Current markets prices as of today are hovering around 90+ percentile on a one-year basis, and we are enjoying prices much lower than that. There are some upticks, especially in Q4 versus year ago, but we will be well below what the market is selling right now. The same is true for palm oil, which is 7% of our APAC BFB COGS. We have good lock-in positions. Again, our requirements for Q3 are fully locked in. In Q4, we have both locked in contracts and swaps that protect us from escalating costs. Palm oil, again, if you look at the prices today are trading at over 80 percentile on a one-year basis. We are getting much lower cost than the current trading prices. Next slide, please.

On coconut oil, there has been some recent softness, and we have taken advantage of that softness by locking in most of our Q3 requirements. There are no practical ways to swap CNO, and so we are not able to extend this further, but we are trying to move quickly whenever there are dips in the prices of coconut oil. The rainy season should help with the supply, and we hope to get better prices in the next few months as well to complete our requirements for Q4. Next slide, please.

On gross profit, we are up by 212 basis points due to our pricing actions and cost initiatives. A lot of our pricing actions happened in May, and then some of them in June. So this is not yet the full year effect of our pricing actions. However, as Henry mentioned, our gross margin declined by 200 basis points sequentially. This is due to the normalization of our contra revenue spending. Normally, we develop our plans with the trade in Q1, and so the spending starts off slow, and then they peak up steam in Q2. The normalization is part of the quarter-on-quarter decrease because of the contra revenue. Because it's contra revenue, it affects the sales price per unit, which then affects the gross margin. On energy-related upcharges, we felt the immediate impact of energy-related charges in our manufacturing expenses. We use coal, we use LPG, and the prices of these energy-related costs immediately increased, putting pressure in our manufacturing expense. On A&P, we have a slight increase of 20 bps versus same period year ago in the quarter, and 50 bps for the first half. Recall that we said our first quarter A&P was higher than year ago as we had volume capacity issues then. So we were controlling spending in order for us not to spur demand, which we could not supply last year. We have now more normal supply, and thus we are advertising more consistently this year. Core EBITDA went up by 2.7%, smaller than the increase in gross profit, not only because of the higher A&P spend but also because of logistic spend. Transportation in particular had an immediate impact as we have to adjust our rates to our truckers, especially when these diesel prices went up higher than 100 pesos per liter. Core net income, as I mentioned, benefited from our US dollar hedge position. We continue to watch the exchange rate, and whenever there are dips, we take advantage of them to build up our stockpile to ensure we are protected from our US dollar short position. Next slide, please.

For our protein business, the Transform to Win program is clearly working. It's not only supporting top line growth, which on peso terms is 12.3%. It translates to 2.7% on a constant currency basis, and 1.7% in volume terms. Transparently, we're not firing still on all cylinders. Our most important business, which is UK retail, is growing very strong, and that's very good news for us. However, there are opportunities in other channels, particularly food service. We will work to make sure that we have a more balanced growth across the channels in order to support further top line growth for the protein business. Gross margin again delivered as promised. Nearly 500 basis points improvement through the transportation benefits. Recall, we have been doing the transportation program, right-sizing the organization, lowering inventory, and doing targeted selling prices in order to improve our gross margin. EBITDA is very positive as well. Our first half EBITDA exceeded our full year EBITDA last year by 15% in peso terms and by 9% in GBP terms. This strong EBITDA performance translated to a second consecutive quarter of positive EBIT. Both our segments are now contributing to top and bottom line. Next slide.

Lastly, on our CapEx guidance, we reiterate our CapEx guidance of Php 6.5 billion, bulk of which will be spent in APAC branded food and beverage, of which majority will go to our new plant for biscuits in the north. The protein business will be spending less than Php 1 billion in CapEx for the year. This ends our prepared remarks. We are now ready for your questions.

Michael Paska:

Thank you, Jesse. Questions can be submitted via your chat box. We will attempt to address as many as possible, time permitting.

The first question is for David. Can you comment on the launch of protein bites and Q2 snacking performance?

David Flochel:

Thank you, Mike. In Q2, we launched in UK retail our protein bites in the meat-free fixture, but also in the food-to-go fixture where people shop their lunch and get lunch deals at the front of the store. By doing so, we are stretching the core business beyond meat-free and into new consumer occasions, new implementation, positioning the brand as a real positive protein brand proposition, which is very important for us as we know. It's early days, but the rate of sale is very good and very promising to a point that has been helping us to unlock even further distribution for the second half of the year. This is a key driver of the continuous double-digit growth in snacking that we've been enjoying in Q2, which was already mentioned several times by Henry and Jesse. This launch, combined with the Q2 snacking campaign overall, has helped us to reach the highest awareness for the brand, but also the highest purchasing intent for the future, which give us confidence that that platform is a very solid and strong platform for future growth. So in summary, protein bites plays a key role for us to reach new consumers to double our implementation in retail stores, meat-free and food-to-go. It is also an opportunity, as Henry mentioned, to expand distribution into convenience, into out-of-home in the UK, but also in the future international markets with one new platform which will help us, again, in terms of velocity and productivity in supply. And it is margin accretive and sales accretive. And both are very important because it's positioning us, again, as category leader to be able to shift from meat-free into positive protein with that healthy, tasty, convenience proposition.

Michael Paska:

Thank you, David. David, I have another question for you, can you update us on how the food service business is performing?

David Flochel:

So this is a different situation we're in here. When we launched Transform to Win together a year and a half ago now, we said priority number one was obviously retail, UK as a core business to be fixed. We are doing significant progress on that front. The second big element to be delivered was the transformation of the supply chain and the improvement of a gross margin, being able to reinvest behind the brand, especially for UK retail. This is working. The third point was to get food service back into growth. And I have to say, we have some challenges here. Food service is only 18% of the business, but it is an important business for us. Minus 5% in Q2, which is disappointing, but our clear priority remains to stabilize the top line regularly over time. What we are seeing are more structural challenges than expected. Let me name the main ones. The first one, significant cost pressure from operators and distributors in this market. Second one, QSR, there's lower demand in the QSR we are working with in Europe. Third point, in schools, in education in the UK, there's a new regulations coming in, which has also been challenging the menu cycles. And historically, we've been relying too much on education sector and a few limiting numbers of QSRs. What we're doing now, we are driving further leadership changes, and I'm taking direct control of the business channel. We are implementing what I call back to basics, focusing on execution as we did previously in UK retail, I think quite successfully. So, we're applying the same recipe here going forward. And as much as we are protecting the core business, we are also planting the seeds for future growth with the launch of blended meat with ultimate B2B solution for food service, not only for schools and education, but also for business and industries, as we want to shift the core food service business outside of education and healthcare into business and industry, as I just mentioned. And the second launch is protein bites, which we will launch in QSRs because we see a lot of versatility for operations in that sector as well, and also opportunities. So, in summary, in the long term, I remain convinced and confident that we can drive positive contribution and growth for that channel. However, short term, there's still a lot to be fixed, with clear focus, and the plans are not in place, it's about execution. But it's probably going to get a bit worse before it gets better, before returning to growth. However, UK retail will drive the growth and continue to grow.

Michael Paska:

Thank you, David. The next question is for Nick. And Nick, for IAS 36 impairment testing, are we on a glide path for no further impairment at Quorn? And related to this, do you expect sales momentum and gross margin expansion to continue in the second half?

Nick Cooper:

Yeah, thanks, Mike. So, I think you can see through the past couple of quarters of results, past few quarters of results, that we're starting to see the traction from the Transform to Win Together program that we launched about 18 months ago. And I think looking forward, we expect that progress to continue, but it won't be a completely linear progression. I think we've spoken about that before. We see growing momentum in UK retail, David talked about that, and I expect the second half of the year in UK retail to be as strong as or even stronger than the first half. But at the same time, as David has mentioned, we have a lot of work to do in food service, and that will be a drag in the second half of the year, and is likely to get worse before it gets better. That combined with the help we had in Q2 from the slightly depressed comparator a year ago means that at the moment I expect the second half performance, especially Q3 on the top line to be softer than we saw in Q2, in spite of that progress, that further progress in rebuilding the foundations of the business. On gross margin, I think Jesse mentioned it before, most of the Iran-related costs are in inventory at the end of Q2, and will be a stronger drag on the gross margin in Q3 and Q4, but I do expect that to be substantially offset by those further transformation savings that we anticipate through our supply chain. Put all of that together, as I say, progress continues, we're confident in the underlying performance of the business and the progress that we're making on the transformation. It won't be a completely linear path from where we are, but the glide path that we're looking at at the moment does say that we are on track to meet the projection that we set out in the IS 36 at the end of last year and therefore avoid further impairment.

Michael Paska:

Thank you, Nick. Jesse, the next question is for you, and this is for the noodle segment. Other than Jjamppong, are there plans for further premiumization efforts?

Jesse Teo:

Yes. First of all, let me talk about the premium segment. Actually, it's quite chunky right now. Our estimates based on Nielsen is that it is on a retail basis Php 4-4.5 billion in value. In dry pouch, it is close to Php 2 billion in value. So, the volume is small, obviously, because our price per unit is high, but the contribution value is big. This is why I think we are stronger in our volume share than our value share. We do recognize the opportunity for us, we are starting to play with Jjamppong stir-fried, we like what we see. We are lining up more programs to participate. Our share obviously on this premium segment is small. So, we viewed it as a bit of an upside for us, not only in terms of sales, but also on margins. And we cannot give specifics, so I'm not at liberty to share with you specifics for competitive reasons, but rest assured we are planning more entries so that we can have our fair share on this growing subcategory.

Michael Paska:

Thank you, Jesse. Another question for you is if you can elaborate a bit further on the share decline in yogurt drinks.

Jesse Teo:

So, the yogurt drink category and cultured milk category are actually growing quite fast. As Henry mentioned earlier, we actually enjoyed 9% growth on our Dutchmill yogurt business. However, there's a new entrant from outside, I will not name it, that is going much faster in shaking up the categories and improving category value. We like competitors that expand the category. When category expands through competition, we benefit as the majority share leaders, but we do have to watch out that this new entrant does not eat a big enough share for us to gain scale. So, we are closely watching, we're happy with the progress of the category, we're happy that the new competitor is helping expand the category and we're benefiting from it, but we need to make sure that we retain our strong number one position.

Michael Paska:

Thank you. Jesse, another question is, can you elaborate a bit on the domestic gross margin quarter over quarter compression given that most of our commodities are hedged?

Jesse Teo:

So, the research I stated is the normalization of our contra revenue spending. So, contra revenue is a reduction to sales, that's why it affects gross margin. As I mentioned earlier, normally we are still finalizing plans in Q1 for our trade spend with our trade partners. So, the spend is muted at the start of the year, then it picks up steam in the second quarter. And this is a trend yearly. So, we do expect some higher contra revenue in the second quarter and third quarter compared with the first quarter. So, that is expected. Also, as part of contra revenue, the trade where we are paying distribution center fees when we deliver to their direct warehouse have increased their DC fees because of fuel prices going up. We also have to support our distributor on their logistics costs because of the very high logistics costs in Q2. And that contributed to higher contra revenue, which means depressed sales that lower gross margin. In addition to that, energy related input costs for manufacturing. We're talking about coal, LPG.

These went up together with diesel prices. So, that has a direct hit on manufacturing conversion costs, and that was the key upcharge that we saw for Q2. The good thing is we haven't really seen the full impact. Most of our price increase went up mid-May, so we have half a quarter effect for the full quarter. We also have a tranche of pricing in June. So, only one-third impact for the quarter for that. In the subsequent quarters, obviously we'll have a full quarter impact of those pricing actions, and that will cushion the blow for us on these upcharges. Diesel prices, while we cannot say that they will permanently be lower, they are much lower than the Q2, than the over 100 peso per liter prices. So, that should help on a quarter on quarter comparison. Just like Nick said, we have high price packaging materials, we guided on that, the packaging materials were going up because a lot of them are derivatives of oil. Most of that higher market prices that we bought in Q2 are still in inventory, and so they will be released to P&L in Q3. So, that hopefully we can offset with our cost savings program, and our full quarter pricing that I talked about earlier.

Michael Paska:

Jesse, any feedback on the decline on noodles volume after increasing prices in the second quarter?

Jesse Teo:

So, I guess people are trying to contrast the difference between the positive elasticity of biscuits, where we grew unit price and volume at the same time, and noodles, where we grew unit price by 3.8% but decline 6.1%. I think partly because since noodles is a higher velocity product, probably when the trade was expecting price increases in May, they loaded up on the higher velocity product. So, we do have the Q1 versus Q2 effect of noodles fell in Q2. So, I think that plays a big part on the difference between our two categories on volume for the quarter.

Michael Paska:

Jesse, assuming there's no force majeure in any of our main commodities, what is the outlook for dividends in the second half?

Jesse Teo:

So, the likelihood of force majeure is now very small. I think we have seen the worst parts. Most of our suppliers for the key raw materials and packaging materials have said that we shouldn't have disruption in supply, so that's the good news. And we have shown that we are very resilient, at least the Middle East challenges, booking record bottom line, not only in Q1, but also first half. So, we are confident in our programs to continue to offset the many challenges that could come our way, energy-related, super El Nino, and all the other things that could come our way. Our brands also have a good pricing power, and so any level playing field change where everybody has to adjust, our brands are able to hold up reasonable price increases with our consumers still supporting us.

Michael Paska:

Can you elaborate on what is driving the divergence in elasticities of noodles and biscuits?

Jesse Teo:

I think because of the higher velocity of noodles. Because there was a very public request from the government to hold up price increases until a certain time. Most of the manufacturers did time their price increases after that period, which is mid-May. Since the trade was able to anticipate that, they stocked up more on the higher velocity product, which is noodles. I think that is a big contribution. That's one of the key reasons for the divergence on elasticity.

Michael Paska:

And can you share what sub-segment mostly drove the volume drop in noodles?

Jesse Teo:

Based on share, it's dry pouch and cups. We have good recovery in our wet pouch, as can be seen from our share. So, there are obviously disruptions on the pattern of when people buy. So, I think the most important thing to consider is the underlying demand. And from a underlying demand standpoint, as we mentioned, we are steady on a value share standpoint and we are increasing on a volume share standpoint. So, I think if you look at underlying health, you strip out all the volatility of ordering and inventory. We should be viewing that more than the actual sales, which is affected by some speculations and buying ahead, adjusting inventory, et cetera.

Michael Paska:

And if you can provide any product innovation in APAC BFB, are there any segments that we're particularly excited about?

Jesse Teo:

Yes. As Henry mentioned earlier, I think our most important biscuit brand is SkyFlakes. And the key innovation that is out already is we made our SkyFlakes brand, which is known for its crunchiness, even more crunchy. So, it's the crunchiest ever SkyFlakes. We are giving what people want in SkyFlakes to a higher level. So, we are pretty excited about that. In the vernacular, actually, SkyFlakes is known as *"malutong kahit anong ipatong*." So *ito mas malutong*. So, even more crunchier. We expect to get good progress from that initiative.

Michael Paska:

When did the company start increasing pricing for APAC BFB? And what is the average price increase year to date? And just related to that, what is our strategy for price increases going forward?

Jesse Teo:

So, our strategy for price increases is to tranche our price increases. We don't believe in one-time, big time price increases. Even if we take a temporary price, a margin hit, we want to cushion the blow to our loyal consumers. Our price increases range from 1% to 5%, depending on the specific products. The average price increase that we enjoyed, we saw for the quarter was just 2.5%. So, there's some more full quarter benefits from pricing that we did not see in Q2. On the timing, I think I mentioned earlier, most of it was implemented mid-May. And then we have another crunch in June.

Michael Paska:

Okay. Jesse, for APAC BFB, can you say anything about how July and August so far is going?

Jesse Teo:

It's better than the Q2 average. So, good. The rains are also falling. Rains usually mean better noodle demand, so we're hoping for that. It was a rather dry July, but August seems to be bringing rains, and so that is generally helpful for noodle demand.

Michael Paska:

Related to gross margin, how do you see the second half of the year, given that both wheat and palm oil are on the uptrend?

Jesse Teo:

So, we have locked-in positions, which protects us from the 90 percentile on a one-year basis on wheat and 80+ percentile on palm oil. So, we're going to buy at much lower than that, but our coverage is not forever. We hope that these commodities go down soon, but we are in good position for the second half. It'll be increasing, because even our lock-ins are increasing. So, it's better than market, but slightly increasing because the prices really have gone up. We have just managed the rate of increase. Packaging, as I mentioned also. The Q2 packaging, because of the Middle East crisis went up, shot up quite sharply. That's in stock right now and will be released P&L in Q3. But we do expect with more oil prices stabilizing, that packaging prices will go down and normalize by Q4. Pricing, as I mentioned, should help cushion the blow. We also have very strong cost savings program. We have our own version of transform to win, so that should also help with our gross margin management. In summary, there'll be challenges. There are challenges, obviously some headwinds that we all face, but we are working hard to offset and recover back a lot of margins that would be squeezed by the headwinds.

Michael Paska:

Thanks, Jesse. Can you provide more details on how big the premium segment of noodles is versus the rest of the overall category?

Jesse Teo:

I think the over category is over Php 50 billion. So, as I mentioned, about Php 4.5 billion, so close to 10%. So, 8-10% of the category in value. Of course, much smaller in volume.

Michael Paska:

Thank you, Jesse. And this question is regarding forex gains in core net income. Would core net income have grown in line with core EBITDA low single-digit growth, if you take out the forex gains?

Jesse Teo:

Yes. I think we still will have double-digit growth in core net income, even if you strip out forex gains. So, we will still have a very strong core net income without that. The core net income delta is quite big because in the first half last year we had the loss, Php 96 million. So, peso appreciated. This year, the peso is sharply depreciated, so we have over Php 200 million gain. So, the delta is over Php 300 million.

Michael Paska:

Thank you, Jesse. Can you talk about what specific cost savings measures that can be implemented in APAC BFB?

Jesse Teo:

For competitive reasons, I cannot go specific because it relates to some formulations that we have. But what I can guide ours is we look at the prices of the commodities. And if there are opportunities to make substitutes, depending on the different prices of substitutes, we do them depending on which particular commodity is cheaper. So, we have built that capability and we are able to, on an agile basis, adjust without compromising - and this is very important - without compromising this consumer experience.

Michael Paska:

Jesse, can you give us more details on raw material trends and hedging?

Jesse Teo:

Raw material trends, as I said earlier, wheat and palm oil are all up 97+. Even the futures are up. Our swaps, we're in the money position for those because of that. They are up. We have hedge positions until the end of the year. Most of Q4 is locked in, but it's not forever. So, on US dollar, which affects our input costs, we have over 100 million of stockpile that could help protect us from further weakness in the peso relative to the US dollar. Sugar has a nice trend. Sugar is down versus CRO, and we're taking advantage of that. I mentioned earlier coconut oil. There has been a substantial dip in Q3, and we are taking advantage of that. While we are not able to do non-deliverable swaps for coconut oil, we are buying as much as we can, as we can physically store, while the prices are cheap.

Michael Paska:

Thank you. Jesse, I think we have time for one further question. And this is, do you expect any impact on the proposed excise tax on sweetened beverages?

Jesse Teo:

I think the main thing is the removal exception from three in one coffee. I think milk will still be in play. Our beverage is mostly milk-based. So, unless they reverse that. And I don't know what the proponent is, but if it's for health reasons, generally milk is considered as a healthy. So, if it's a revenue generating measure, but not for health reasons. But we'll be agile. I mean, our brands are strong. I cannot control the legislation, but if it's a level playing field event, our brand is strong, it's over 80% share. If it's a level playing field change, we should be able to come out of it strong, unless it's not a taxation that really destroys demand. If it's a reasonable level playing field change, we should be able to overcome that with our strong brand position. I don't think there will be a taxation that will destroy demand because the health people, I think the health department would probably want to encourage healthy consumption there.

Michael Paska:

Thank you, Jesse. This concludes the Q&A portion of the call. 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 growth in the second quarter, led by biscuits and our strategic growth categories. Our disciplined pricing, cost management, and hedging drove year-on-year gross margin expansion. Sequentially, however, gross margin declined by over 200 basis points, reflecting higher manufacturing overhead, particularly energy costs and logistic costs arising from the Middle East crisis. These pressures, together with the higher operating logistic expenses and increased A&P investment, moderated year-on-year earnings growth, partially offset by significant benefits from our US dollar hedge position. For protein, we are encouraged by the protein business' continued progress in the second quarter and future potentials. Revenue grew 2.7% on constant currency basis, driven by growth in the snacking segment. Gross margin expanded by nearly 500 basis points. And the first half core EBITDA exceeded the full year EBITDA for the previous year. We remain mindful of ongoing input cost pressures. And wisll continue to manage the business prudently, while remaining sensitive to our consumers should further pricing adjustment become necessary. With that, I look forward to speaking to you in November, when we hold our first nine months 2026 earnings call. Until then, stay safe and healthy. Thank you.