**CNPF edges up in 2Q23 on the back of a resilient Branded business;**

**Sales rise 9% and profits improve 10% year-on-year**

* *Consolidated revenues in 1H23 increased by 8% year-on-year as sales improve in the second quarter, driven by a resilient Branded business.*
* *As expected, first half gross margin softened by 110 bps to 24.0%, due to higher input costs and remaining inventory carryover from 2022.*
* *2Q23 gross margin, at 24.4%, saw an 80bps sequential improvement compared to the previous quarter, flattish versus the comparable period last year.*
* *Net income after tax rose by 8% year-on-year in the first half, pulled up by a better earnings performance in 2Q23.*

**Century Pacific Food, Inc. (PSE:CNPF)**, one of the leading branded food and beverage manufacturers in the Philippines, edged up in the second quarter of 2023 driven by the outperformance of the branded segment. Profits for the quarter posted a double-digit year-on-year growth rate of 10%, leading to a resilient first half performance for CNPF.

Consolidated revenues for the second quarter were up by 9% year-on-year, with the Branded business growing by 15% compared to the second quarter of 2022. As a result, sales for the six-month period landed at Php 33.4 billion, increasing by 8% year-on-year, with the Branded segment improving by 11% versus the same period last year.

The Branded business, which comprised the majority of CNPF’s topline, is composed of Marine, Meat, Milk, and other Emerging segments, catering predominantly to the domestic Philippine market. Sequentially, the segment 2Q23 sales were up by 12% versus the previous quarter due to supply chain improvements in Marine and the sustained resilience in domestic demand.

On the other hand, CNPF’s OEM Tuna and Coconut Exports business, given a high 2Q22 base and softer markets, saw a 7.1% decline in sales in the first half compared to the same period last year. Nonetheless, amidst continuing operating uncertainties, the segment saw a quarter-on-quarter growth of 21.2% with the easing of logistical challenges in specific areas of the business.

In terms of profitability, the Company began to see an uptick in its 2Q23 gross margin, which landed at 24.4%, improving by 80 bps versus 1Q23 as commodities trended downward and with the depletion of higher cost inventory carried over from the year before. CNPF closed the first half with a gross margin of 24.0%, contracting by 110bps versus 1H22 due to higher input costs, as expected.

Operating expenses as a percentage of sales registered at 12.1% year-to-date, 190bps less than last year’s. Thus, Earnings before interest, taxes, depreciation, and amortization (EBITDA) clocked in at Php 4.9 billion, increasing by 10% versus the first six months of 2022. EBITDA margin was at 14.5%, demonstrating a modest 30 bps improvement from the comparable period last year. These trickled down to a Net Income After Tax of Php 3.2 billion, which rose by 8% year-on-year in lockstep with topline growth, leading to a stable net profit margin of 9.6%.

The Company’s operational performance led to a healthy cashflow generation. Operating cashflows in the first half amounted to Php 3.2 billion, which in turn was reinvested in CAPEX spending of Php 715 million. Cashflows were likewise used to fund dividend payments to shareholders amounting to Php 1.4 billion, representing an 11% increase in CNPF’s dividends from the year before.

Chad Manapat, CNPF’s Chief Financial Officer, said, “All things considered, we are grateful for the company’s performance in the first half of 2023. We attribute this to the all-weather nature of our portfolio, which has the flexibility to deliver in an evolving market landscape. Inflationary pressures are beginning to abate, which we take positively, but consumers are still feeling the crunch. Thus, we remain laser-focused on providing them affordable and convenient food choices.”

“As we continue to prioritize long-term growth, we recognize that volatility persists in our operating landscape and aim to navigate through 2023 in a sustainable way. We expect the Branded segment to sustain its growth momentum, supported by resilient domestic demand. However, uncertainties remain, especially in OEM Exports. Our gross margin outlook in the coming months is favorable, and we aim to reinvest these gains in demand generating activities, brand building, and innovation – all in line with our mission to provide affordable nutrition to Filipino households,” Manapat concluded.