

Transcript of the President's Report

Slide 1 – Cover Page

Thank you, Chairman. Good afternoon, everyone, and thank you all for joining us at this year's annual stockholders' meeting.

Before I proceed, I want to extend my heartfelt appreciation to our dedicated team for their hard work and unwavering commitment. They have been instrumental in our continuous improvement and in achieving the ambitious goals we've set for ourselves.

Additionally, I want to express my gratitude to you, our shareholders, for your steadfast trust and support not only throughout 2023 but also in the preceding years.

Slide 2 – 2023 Performance

2023 posed various challenges, including market dynamics and external risks. Despite this, we report modest financial results and significant progress in key areas of our business. We remain guardedly hopeful and committed to navigating these uncertainties with strategic foresight and resilience.

Let me share with you our financial performance last year.

Slide 3 – Revenue Summary

Revenues surpassed the P12 billion mark, allowing a 4% growth compared to previous year. Foods revenues amounted to ₱6.9 billion, marking 11% growth over the previous year. This was propelled by a 14% expansion in volume led by demand in Luzon and Visayas. Pricing, however, was under pressure amid the oversupply of chicken in the market.

Feeds revenues slightly decreased by 1% to ₱5.1 billion. Pricing rose by 16% while sales volume decreased by 15%.

Factors which affected the segment's overall performance were:

- the continued gradual increase in selling prices in response to higher input cost inflation;
- the lower demand for hog feeds due to the continued spread of African swine fever;
- and the depressed selling prices of chicken, which dampened the demand for broiler feeds among the commercial farms.

Lastly, Farms segment reflected a 20% decline to ₱424.4 million as a result of overall market conditions. Fair value changes on biological assets amounting to a loss of ₱47.8 million were recognized as part of revenues based on lower estimated selling prices of chicken in the market.

Slide 4 – Financial Highlights

Moving on to costs:

Gross profit was ₱904 million, a 15% decline from the previous year, as cost of goods rose 6% to ₱11 billion due to higher sales volume and heightened input and production costs.

Key raw materials including wheat, soybean, and corn, which comprise about 70% of feed cost, remained high with an average increase of 5% over last year.

As a result, net income reached ₱13 million. Higher operating expenses due to increased labor cost significantly contributed to this outcome.

We also allocated a total of ₱113 million towards capital expenditures, including expansion cost of ₱63 million.

Let me now move on to last year's strategies and focus areas.

Slide 5 – 2023 Strategies

We have implemented efforts to strengthen a more resilient business model to deliver our long-term business and financial goals. These initiatives include stronger marketing and brand support, capability investment, and increased visibility in modern trade channels which are expected to drive top-line growth and gross margin expansion.

Please allow me to mention some key milestones.

Slide 6 – Grow the Core (Feeds)

In the Feeds segment:

- we continued to expand and opened new distributors, megadealers, and retail feed outlets in Bataan, Negros Occidental, and South Cotabato;
- we maintained our campaign as "The Specialist in Animal Nutrition" by actively participating in veterinary medical missions and conducting seminars;
- we also continued the use of woven feed sacks as part of our sustainability initiative.

Furthermore, we expanded our poultry operations in General Santos and North Cotabato by establishing multi-tier broiler farms.

Slide 7 – Grow the Core (Foods)

In the Foods segment:

- we continued to strengthen our operations by covering various areas nationwide – in Luzon: Isabela and Bicol; in Visayas: Samar and Leyte; in Mindanao: Zamboanga City, Bukidnon, Marawi, Sultan Kudarat, and Saranggani;
- we also expanded our food service channel by providing restaurants and leading fast food chains their demand for joint product development and customization;

- we started to mobilize online presence via digital platforms and social media commerce;
- and lastly, we introduced the compact variants of Flavor Origins in convenient 250g packs which played a crucial role in our engagements with national retail giants such as SM, Robinsons, and Puregold.

Slide 8 – Enhance Risk Management Process

We recognize the diverse array of financial, liquidity, and operational risks that are inherent in our industry.

These challenges include animal diseases and rising raw material prices, among others.

Nevertheless, we remain vigilant in managing these risks and have implemented proactive measures to safeguard our operations and financial stability.

Some of our proactive measures include:

- increasing biosecurity measures;
- implementing a comprehensive vaccination program;
- and, implementing one-year supplier contracts with rebate agreements.

Slide 9 – Invest and Adapt for the Future

We also took the initiative to enhance our production capabilities by acquiring two automated marination systems and one sealing vacuum machine for our dressing plant in Bulacan. This project boosted our output capacity by 50%, successfully meeting the rising demand from our food service clients.

In addition, the solar energy project completed at our Iloilo feed mill has reduced the plant's energy consumption by 13%.

Meanwhile, at our Davao feed mill, we have installed perimeter solar lights while we evaluate proposals for solar power implementation.

Slide 10 – Commitment to Excellence

Over time, our governance framework for responsible production and consumption has proven to be effective. Moreover, it challenges us to maintain sustainability and align with international standards for sanitation, food safety, and quality.

We currently hold the latest certifications in:

- ISO 22000:2018 FSMS for our Iloilo and Davao feed mills;
- HACCP adherence of our dressing plants in Bulacan and Davao;
- and, Halal certifications of our dressing plants;

We remain committed to continuous improvement and excellence in all aspects of our operations.



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Slide 11 – Forward Strategies

As we move forward, our focus remains on innovation, sustainability, and strategic growth initiatives.

This year, we will drive growth through major expansion in modern trade channels, e-commerce platforms, and innovative new product offerings.

- Our flagship store in Lazada has been launched as we continue to strengthen our partnership with e-commerce aggregators.
- New flavors under the Cook's brand will be launched in response to consumer demand for diverse and unique culinary experience;
- lastly, our products are now available in 306 new outlets in Central Luzon, significantly reducing our reliance to volatile open markets and stabilizing profit margins;

Slide 12 – Cover Page

Overall, we remain cautiously optimistic about the opportunities that lie ahead.

We want to express our sincere gratitude to each of you for your continued support and confidence in Vitarich Corporation. Together, we will continue to innovate, expand, and achieve new heights of success as we remain committed to forge livelihood and nourish lives.