

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2024**
2. Commission identification number **54666**
3. BIR Tax Identification No. **000-163-396**
4. **SHAKEY'S PIZZA ASIA VENTURES INC.**
Exact name of issuer as specified in its charter
5. **MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **15KM EAST SERVICE ROAD CORNER MARIAN ROAD 2.**
BARANGAY SAN MARTIN DE PORRES, PARANAQUE CITY
Address of issuer's principal office **1700**
Postal Code
8. **(632) 867-7602**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	<u>COMMON SHARES</u>
Number of shares of common stock outstanding	<u>1,683,760,178</u>
11. Are any or all of the securities listed on a Stock Exchange?

Yes ☐ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
PHILIPPINE STOCK EXCHANGE; COMMON SHARES
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes ☐ No ☐
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes ☐ No ☐

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited interim consolidated financial statements of Shakey's Pizza Asia Ventures Inc., and its wholly owned subsidiaries Bakemasters, Inc., Shakey's International Limited, Shakey's Seacrest Incorporated, Shakey's Pizza Regional Foods Limited, Shakey's Pizza Commerce, Inc., and Wow Brand Holdings Inc. (collectively, the 'Company' or 'PIZZA') as of and for the period ended September 30, 2024 and the comparative period in 2023 is attached to this 17-Q report, comprising of the following:

- 1.1 Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023
- 1.2 Consolidated Statement of Income for the period ended September 30, 2024 and September 30, 2023
- 1.3 Consolidated Statement of Cash Flows for the period ended September 30, 2024 and September 30, 2023
- 1.4 Consolidated Statement of Changes in Shareholder's Equity for the period ended September 30, 2024 and September 30, 2023
- 1.5 Notes to Consolidated Financial Statements for the period ended September 30, 2024

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Based on the unaudited consolidated financial statements for the period ended September 30, 2024)

Business Overview

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in chained pizza full service restaurant, chained full service restaurant, and chained kiosks with 67.5%, 22.8%, and 14.4% market shares, respectively, based on data from Euromonitor.

PIZZA has over 40 years of brand legacy in the Philippines. Originally an American brand established in 1954, Shakey's expanded into the Philippines in 1975, and has since become a household name to generations of Filipinos. PIZZA is a strong brand because of its unique products paired with excellent guest service. It is best known for its original thin crust pizza and iconic Chicken N' Mojos.

PIZZA owns the trademarks and licenses to operate the Shakey's brand in the Philippines. With this, it has full control over the management and execution of Shakey's Philippine operations. As the brand owner, PIZZA generates additional revenue from franchising while not having to pay royalty fees for the use of the Shakey's name. PIZZA also owns the rights and trademarks in Asia (except Malaysia and Japan), China, Middle East, Australia and Oceania. This gives the company international expansion opportunities in the long-term. As of today, PIZZA operates stores in the Philippines, United Arab Emirates and Singapore.

PIZZA is able to serve the A, B and upper C income classes through its various sales channels. PIZZA's dine-in segment caters mostly to families and friends who want an affordable upgrade from the usual fast-food dining. At the same time, PIZZA also reaches its guests through its delivery segment. With the shift of consumer trend towards safety and convenience, PIZZA ensures that it continues to operate well-designed, comfortable, clean and guest-oriented stores, operate an efficient delivery system for guests, and expand its online sales platform to align itself with current market and consumption trends.

PIZZA is accessible nationwide through various store formats. These formats differ in size ranging from 120 sqm to 400 sqm. Smaller stores tend to need lower capital investment. This allows PIZZA flexibility to serve the demand of a specific market, while still achieving the desired profitability.

PIZZA has an in-house commissary that supplies proprietary raw materials and other baked products to Shakey's stores. With this vertical integration strategy, product quality is preserved and controlled while also enabling for higher sales margins.

Finally, PIZZA operates a simple business model that is cash generative and requires low upfront costs due to the simplicity of its products. This model enables high financial liquidity and an average payback period of 3 to 4 years. PIZZA also has a well-established franchised model with an industry-leading return on investment averaging 4 years.

In 2016, Century Pacific Group Inc. (CPGI) and the sovereign wealth fund of Singapore acquired majority ownership of PIZZA. CPGI is the parent company of Century Pacific Food Inc. (CNPF), the largest manufacturer of canned food in the Philippines.

Subsequently, on December 15, 2016, PIZZA successfully listed on the Main Board of the Philippine Stock Exchange (PSE) with a total of 1,531,321,053 common shares at ₱11.26 per share.

On June 1, 2019, PIZZA acquired Peri-Peri Charcoal Chicken, an emerging fast casual and full service restaurant brand in the Philippines. The acquisition includes assets and intellectual property relating to the Peri business, including its brand, trade name, and the various proprietary recipes used by the chain to make its trademark peri-peri chicken.

In August 2020, the Company entered into a master franchise agreement with Singapore-based Koufu Group Ltd to bring the *R&B milk tea* brand to the Philippines. R&B is one of the leading milk tea and bubble tea players in Singapore. It currently has more than 1,000 outlets worldwide, spanning across China, US, Singapore, Cambodia, Vietnam, Malaysia and Indonesia. Under the agreement, PIZZA shall be awarded the territorial rights to sell *R&B milk tea*, bubble tea, and other specialty tea drinks in the Philippines, through stand-alone store formats and co-branding in select *Shakey's* and *Peri-Peri Charcoal Chicken* outlets.

In December 2021, the Company entered into an agreement to purchase assets and intellectual property relating to Potato Corner, with PIZZA assuming the management of the brand beginning March 2022. Potato Corner is one of the leading and most established food kiosk chains in the Philippines. Since its inception in 1992, the brand has built a vast network of over 1,000 outlets domestically and has a growing international footprint in Asia and beyond.

Results of Operations

The following table summarizes the reported key financial information for PIZZA for the NINE months ending September 30, 2024 and 2023, respectively:

In ₱ Mill	NINE months ending September 30, 2024	NINE months ending September 30, 2023	Change YoY
System-wide sales	15,523	13,497	15%
Net Revenue	10,047	9,117	10%
Cost of Sales	(7,608)	(6,898)	10%
Gross Profit	2,438	2,218	10%

Operating Expense	(1,442)	(1,109)	30%
Operating Income	997	1,110	-10%
EBITDA	1,581	1,597	-1%
Net income before tax	714	884	-19%
Net income after tax	671	746	-10%
<u>Margins</u>			
Gross profit margin	24.3%	24.3%	0 bps
Operating margin	9.9%	12.2%	-230 bps
Net income margin	6.7%	8.2%	-150 bps

Results of Operation

- Shakey's Pizza Asia Ventures Inc, the Philippines' leading fast casual restaurant chain and food service group, posted healthy sales performance on the back of sequentially improving same-store sales growth (SSSG) amid a tepid consumer environment and due to new stores opened during the period.
- 9M24 systemwide sales (SWS) grew by 15% to ₱15.5 billion, with 3Q24 SWS posting an accelerated growth of 16% versus the same period last year. Key drivers of topline growth are sequentially improving year-on-year SSSG and the impact of new stores opened during the period. SSSG in the third quarter stood at 4%, improving from 3% in the second quarter on the back of sales-building activities.
- In terms of profitability, gross profits grew 10% to ₱2.4 billion. With gains from better costs offsetting investments for growth, margins were relatively flattish year-on-year at 24.3%. However, due to investments in expansion and a lower cost base last year, operating expenses as a percentage of sales increased by 220 basis points to 14.4%
- As a result, PIZZA's net income for the first nine months of 2024 remained subdued at ₱670 million, lower by 10% from the comparable period last year. This led the Group's nine-month net profit margin to fall by 150 basis points to 6.7%.

Financial Condition

The Company's financial stability and financial position as of September 30, 2024, is as follows:

- Cash and cash equivalents stood at ₱902 million. Cash provided by operating activities amounted to ₱1.3 billion, with net cash used in investing activities totaling ₱1 billion and net cash used in financing activities amounting to ₱329 million.
- Current ratio increased to 1.4x as of September 30, 2024, relative to 2023's 1.5x. The cash conversion cycle remained stable at 34 days from 33 days as of end 2023. Receivable and inventory days stood at 58 and 59 respectively, while accounts payable came in at 83 days.
- Net property, plant and equipment, amounted to ₱2.1 billion as of September 30, 2024. Capital expenditures for the first nine months of the year totaled ₱878 million.

- As of September 30, 2024, the Company had ₱6.2 billion in interest-bearing debt, higher from the year-end level due to short-term debt incurred in the second quarter of 2024.
- Net debt-to-equity ratio is measured at 1.3x as of September 30, 2024, slightly higher the 1.2x figure as of year-end 2023. Considering only interest-bearing liabilities, the Company's net gearing ratio and net interest-bearing debt-to-EBITDA stood at 0.6x and 2.3x, respectively, as of September 30, 2024.

Key Performance Indicators (KPIs)

	Unaudited 1 st Nine Months 2024	Unaudited 1 st Nine Months 2023
Gross Profit Margin	24%	24%
Before Tax Return on Sales	7%	10%
Return on Sales	7%	8%
Interest-Bearing Debt-to-Equity	0.8x	0.8x
Current Ratio	1.4x	1.6x

Notes:

1 Gross Profit margin = Gross Profit / Net Revenue

2 Before Tax Return on Sales = Net Profit Before Tax / Net Revenue

3 Return on Sales = Recurring Net Profit After Tax / Net Revenue

4 Interest-Bearing Debt-to-Equity = Loans Payable / Total Stockholders' Equity

5 Current Ratio = Total Current Assets / Total Current Liabilities

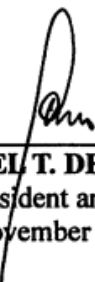
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHAKEY'S PIZZA ASIA VENTURES INC.



VICENTE L. GREGORIO
President and Chief Executive Officer
Date: November 11, 2024



MANUEL T. DEL BARRIO
Vice-President and Chief Financial Officer
Date: November 11, 2024

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current Assets		
Cash	₱901,754,969	₱901,147,527
Trade and other receivables	2,198,534,058	1,224,789,572
Inventories	1,689,937,147	1,712,217,989
Prepaid expenses and other current assets	387,795,029	635,187,293
Total Current Assets	5,178,021,203	4,473,342,381
Noncurrent Assets		
Property and equipment	2,118,890,668	1,833,780,584
Intangible assets	10,387,122,750	10,366,799,313
Right-of-use assets	1,498,338,201	1,540,630,889
Deferred input value-added tax	2,053,340	3,886,410
Deferred tax assets- net	459,804,704	100,394,721
Other noncurrent assets	327,289,030	309,113,711
Total Noncurrent Assets	14,793,498,693	14,154,605,628
TOTAL ASSETS	₱19,971,519,895	₱18,627,948,009
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	₱2,394,623,366	₱1,753,136,296
Short-term loans payable	1,000,000,000	700,000,000
Current portion of:		
Lease Liabilities	275,608,551	275,584,146
Long-term loans payable	47,932,514	47,876,004
Contract liabilities	13,445,337	30,059,596
Income tax payable	79,956,524	142,150,319
Total Current Liabilities	3,811,566,291	2,948,806,361
Noncurrent Liabilities		
Noncurrent current portion of:		
Long-term loans payable	5,169,638,477	5,194,694,987
Lease liabilities	1,527,657,312	1,555,254,353
Contract liabilities	144,522,331	117,882,366
Accrued pension costs	145,216,503	117,600,878
Dealers' deposits and other noncurrent liabilities	76,583,685	106,626,720
Deferred tax liabilities – net	794,409,905	627,872,928
Total Noncurrent Liabilities	7,858,028,214	7,719,932,232
Total Liabilities	11,669,594,505	10,668,738,593
Equity		
Capital stock	1,683,760,178	1,683,760,178
Additional paid-in capital	2,451,116,470	2,451,116,470
Retained earnings	4,122,844,602	3,788,433,048
Other components of equity	44,204,139	35,899,720
Total Equity	8,301,925,390	7,959,209,416
TOTAL LIABILITIES AND EQUITY	₱19,971,519,895	₱18,627,948,009

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	2024 (Unaudited)	2023 (Unaudited)
REVENUES		
Net sales	₱9,683,314,050	₱8,776,312,269
Royalty and franchise fees	363,628,867	340,506,037
	10,046,942,917	9,116,818,306
COSTS OF SALES	(7,608,464,940)	(6,898,419,824)
GROSS INCOME	2,438,477,977	2,218,398,483
GENERAL AND ADMINISTRATIVE EXPENSES	(1,441,848,713)	(1,108,869,850)
INTEREST EXPENSE	(295,410,624)	(250,476,889)
OTHER INCOME- net	12,663,568	24,803,258
INCOME BEFORE INCOME TAX	713,882,207	883,855,002
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	233,780,839	223,939,145
Deferred	(190,527,019)	(85,891,905)
	43,253,820	138,047,240
TOTAL COMPREHENSIVE INCOME	₱670,628,387	₱745,807,762
Basic/Diluted Earnings Per Share	₱0.44	₱0.44

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	2024 (Unaudited)	2023 (Unaudited)
REVENUES		
Net sales	₱3,400,589,037	₱2,939,199,095
Royalty and franchise fees	122,119,573	116,060,543
	3,522,708,610	3,055,259,637
COSTS OF SALES	(2,669,883,215)	(2,273,945,468)
GROSS INCOME	852,825,396	781,314,169
GENERAL AND ADMINISTRATIVE EXPENSES	(482,340,374)	(402,076,987)
INTEREST EXPENSE	(108,287,394)	(79,203,654)
OTHER INCOME- net	10,751,495	8,697,747
INCOME BEFORE INCOME TAX	272,949,123	308,731,276
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	84,894,991	71,241,555
Deferred	(62,068,990)	(19,314,224)
	22,826,001	51,927,331
TOTAL COMPREHENSIVE INCOME	₱250,123,122	₱256,803,945
Basic/Diluted Earnings Per Share	₱0.15	₱0.15

**SHAKEY'S PIZZA ASIA VENTURES INC.
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Components of Equity	Total
Balances at January 1, 2024	₱1,683,760,178	₱2,451,116,470	₱3,788,433,048	₱35,899,720	₱7,959,209,416
Total comprehensive income	—	—	670,628,387	-	670,628,387
Movement in foreign translation	-	-	-	8,8839,622	8,8839,622
Dividends declared	—	—	(336,752,036)	—	(336,752,036)
Balances at September 30, 2024	₱1,683,760,178	₱2,451,116,470	₱4,122,309,399	₱44,739,342	₱8,301,925,390
Balances at January 1, 2023	₱1,683,760,178	₱2,451,116,470	₱2,877,362,495	₱33,537,963	₱7,045,777,106
Total comprehensive income	—	—	745,807,762	—	745,807,762
Cash dividends	—	—	(168,376,018)	—	(168,376,018)
Balances at September 30, 2023	₱1,683,760,178	₱2,451,116,470	₱3,454,794,239	₱33,537,963	₱7,623,208,850

**SHAKEY'S PIZZA ASIA VENTURES INC.
AND SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱713,882,207	₱883,855,001
Adjustments for:		
Depreciation and amortization	572,426,522	462,713,133
Interest expense	295,410,624	250,476,889
Increase in accrued pension costs	27,615,625	26,647,321
Interest income	(350,506)	(247,241)
Unrealized foreign exchange loss (gain)	(192,192)	1,130,198
Income before working capital changes	1,608,792,280	1,624,575,302
Decrease (increase) in:		
Trade and other receivables	(973,744,486)	(361,218,944)
Inventories	22,280,842	(672,722,175)
Prepaid expenses and other current assets	247,392,264	14,183,079
Increase (decrease) in:		
Accounts payable and other current liabilities	641,487,070	(255,184,452)
Contract liabilities	10,025,706	(7,953,029)
Net cash generated from operations	1,556,233,677	341,679,781
Income tax paid	(225,601,228)	(158,594,276)
Interest received	350,506	247,241
Net cash provided by operating activities	1,330,982,955	183,332,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Other noncurrent assets	(57,563,362)	(43,535,471)
Deferred input value added tax	1,833,070	126,467,612
Increase (decrease) in:		
Dealer's deposits and other noncurrent liabilities	(30,043,034)	249,278,554
Acquisition of property and equipment	(877,860,043)	(260,582,082)
Proceeds from redemption of financial assets at FVPL	—	—
Net cash used in investing activities	(1,000,818,597)	71,628,612
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long- term loan	—	—
Proceeds from availment of short- term loan	288,790,845	—
Payment of long- term loans	—	(25,000,000)
Payment of interest	(238,727,425)	(188,431,529)
Payment of lease liability	(43,060,490)	(232,858,181)
Dividends paid	(336,752,036)	(168,376,018)
Net cash provided by financing activities	(329,749,106)	(614,665,728)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	192,190	(1,130,200)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	607,442	(360,834,570)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	901,147,527	989,578,790
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱901,754,969	₱628,744,220

SHAKEY'S PIZZA ASIA VENTURES INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Shakey's Pizza Asia Ventures Inc. Doing business under the name and style of Shakey's (SPAVI or the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1974. The Parent Company and its subsidiaries (collectively referred to as "the Group") are involved primarily in the development, operations and franchising of fast casual restaurants under the trade names "Shakey's" and "Peri-Peri".

On December 15, 2016, the common shares of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) under the trading name "PIZZA".

The registered office address of the Parent Company is 15Km East Service Road corner Marian Road 2, Barangay San Martin de Porres, Parañaque City 1700.

Approval and Authorization for the Issuance of the Unaudited Interim Condensed Consolidated Financial Statements

The unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on November 11, 2024.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) which are carried at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All values are rounded off to the nearest million, except those otherwise indicated.

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the unaudited interim condensed financial statements of the Parent Company and its wholly-owned subsidiaries and are prepared for the same reporting year as the Parent Company, using consistent accounting policies for like transactions and other events with similar circumstances.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the nine elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the unaudited interim condensed consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The unaudited interim condensed consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Principal Activities	Place of Incorporation	Percentage of Ownership (%)
Bakemasters, Inc. (BMI) ^a	Manufacturer of pizza dough and pastries	Philippines	100%
PC International Limited (PCIL)	Restaurant business	Singapore	100%
Shakey's International Limited (SIL)	Trademark	Hong Kong	100%
Shakey's Seacrest Incorporated (SSI)	Trademark	Philippines	100%
Shakey's Pizza Regional Foods Limited (SPRFL)	Trademark	Hong Kong	100%
Shakey's Pizza Commerce Inc. (SPCI)	Trading of goods	Philippines	100%
Wow Brand Holdings, Inc. (WBHI)	Restaurant business	Philippines	100%

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the following new accounting pronouncements.

Unless otherwise indicated, the Group does not expect that the adoption of the said pronouncements to have a significant impact on its consolidated financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Business Combinations

Acquisition of Potato Corner (PC) Business

On March 5, 2022, the Group entered into various purchase agreements (the “Agreements”) with Cinco Group for the assets and intellectual property related to the PC business. The acquisition also involved owning and operating all company-owned stores, as well as serving as brand-owner and franchisor of stores being operated by franchisees both domestically and internationally. The agreements also include purchase of 100% shares in the PC offshore entities. The agreements were considered a linked transactions and accounted as one business combination at the Group’s consolidated financial statements.

Potato Corner is a food franchise known for its flavored French fries.

In December 2022, the Group and the seller made amendments in the agreements dated March 5, 2022. The fair value of the identifiable net assets acquired amounted to ₱2,540.0 million at date of acquisition. The current assets acquired composed of cash, receivables, prepayments, and inventories with fair values amounting to ₱20.5 million, ₱14.5 million, ₱0.9 million and ₱39.0 million, respectively at date of acquisition. The noncurrent assets acquired composed of property and equipment, security deposits, and trademarks with fair values

amounting to ₱78.0 million, ₱42.0 million and ₱3,208.8 million, respectively at date of acquisition. The liabilities assumed composed of accounts payable and other current liabilities amounting to ₱61.5 million at date of acquisition. The carrying values of the assets and liabilities assumed is the same with its fair value at date of acquisition except for the trademarks with carrying amount of ₱2,467.4 million at date of acquisition.

The fair value of property and equipment was measured using the replacement cost method while the fair value of the trademark was measured using the income approach. The revenue growth and discount rates used to measure the fair value of trademark are 2% and 11%, respectively.

As of December 31, 2022, the fair values of the assets acquired assumed were finalized; no changes from the initial recognition were recognized by the Group.

The goodwill of ₱60.9 million reflects the expected growth in the Group's business and Group management attributes the goodwill to achieving synergies and economies of scale arising from its common processes from its existing operations and contacts with suppliers and other partners to improve cost and efficiency. The goodwill is not deductible for tax purposes.

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Group is organized into six business activities - Restaurant sales, franchise and royalty fees and commissary sales. This segmentation is the basis upon which the Group reports its primary segment information.

- Restaurant sales comprise revenues from restaurant activities and sale of merchandise and equipment to franchisees.
- Franchise and royalty fees represents payment of subdealers for use of the Shakey's brand.
- Commissary sales comprise third party sales other than aforementioned activities.

Inter-segment Transactions

Segment revenue, segment expenses and operating results include transfers among business segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

The Group's chief operating decision maker monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year, EBITDA and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRS measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income for the nine months ended September 30, 2024 and 2023:

	September 30, 2024	September 30, 2023
Consolidated EBITDA	₱1,581,368,847	₱1,596,797,783
Depreciation and amortization	(572,426,522)	(462,713,133)
Provision for income tax	(43,253,820)	(138,047,240)
Interest expense	(295,410,624)	(250,476,889)
Interest income	350,506	247,241
Consolidated net income	₱670,628,387	₱745,807,761

6. Cash and Cash Equivalents

	September 30, 2024	December 31, 2023
Cash on hand	₱82,790,421	₱79,685,940
Cash in banks	818,964,548	821,461,587
	₱901,754,969	₱901,147,527

Cash in banks earn interest at the respective bank deposit rates. Interest income on cash and cash equivalents amounted to ₱0.35 million and ₱0.25 million for the nine months ended September 30, 2024 and 2023, respectively.

7. Trade and Other Receivables

	September 30, 2024	December 31, 2023
Trade:		
Franchisee	₱1,317,384,517	₱416,906,032
Third parties	312,471,503	403,171,544
Related parties	22,134,240	18,458,583
Royalty receivable	61,043,211	176,925,408
Receivable from:		
Franchisees	275,544,601	61,680,414
National Advertising Fund (NAF)	51,829,287	51,829,287
Employees	36,304,942	23,383,864
Others	137,262,239	82,484,854
	2,213,974,540	1,234,839,466
Less allowance for doubtful account	(15,440,482)	(10,049,894)
	₱2,198,534,058	₱1,224,789,572

Below are the terms and conditions of the financial assets:

- Trade receivables are noninterest-bearing and are normally collectible within 10 days.
- Royalty receivable is being collected from dealers on the 20th day of the following month.
- Receivable from National Advertising Fund (NAF) pertains to reimbursable advertising and promotion expenses from dealers which will be applied on future dealer remittances.
- Receivable from franchisees pertains to receivables for transactions other than sale of goods such as management fees, freight and gas expenses and are non-interest bearing and generally have 30 to 45 days' term.
- Receivables from employees, which represent mainly salary loan, are interest-free and are being collected through salary deduction for a period ranging from 6 months to 1 year.
- Other receivables consist mainly of receivables from cooperatives and freight charges which are non-interest bearing and generally have 30 to 45 days' term.

The movements of allowance for doubtful accounts are as follows:

	September 30, 2024			December 31, 2023		
	Trade and Others	Receivables from Employees	Total	Trade and Others	Receivables from Employees	Total
Balance at beginning of year	₱8,035,616	₱2,014,278	₱10,049,894	₱8,020,079	₱1,245,567	₱9,265,646
Provision	5,390,588	–	5,390,588	15,537	768,711	784,248
Balance at reporting date	₱13,426,204	₱2,014,278	₱15,440,482	₱8,035,616	₱2,014,278	₱10,049,894

8. Inventories

	September 30, 2024	December 31, 2023
At cost -		
Finished goods	₱14,041,448	₱11,450,454
At NRV:		
Merchandise	1,624,382,040	1,631,792,556
Raw materials - food	36,524,748	63,168,734
Raw materials - packaging	14,988,911	5,806,245
	₱1,689,937,147	₱1,712,217,989

Allowance for inventory obsolescence amounted to ₱4.8 million and ₱5.8 million as at September 30, 2024 and December 31, 2023.

9. Prepaid Expenses and Other Current Assets

	September 30, 2024	December 31, 2023
Advances to suppliers	₱150,909,698	₱473,193,172
Prepaid taxes	143,105,372	90,883,087
Prepaid expenses	93,779,960	71,111,034
	₱387,795,029	₱635,187,293

Advances to suppliers represent payments for items purchased or goods yet to be delivered or services to be rendered.

Prepaid expenses pertain to advance payments for insurance and dues and subscription and are amortized monthly over a period of one year.

10. Property and Equipment

	Building	Leasehold Improvements	Furniture, Fixtures and Equipment	Machinery and Equipment	Transportation Equipment	Cost of Shops and Maintenance Tools	Glassware and Utensils	Construction in-progress	Total
Cost									
Balance at December 31, 2022	₱264,977,352	₱1,647,293,440	₱1,428,884,616	₱236,418,036	₱37,895,667	₱38,678,600	₱37,330,448	₱225,384,737	₱3,916,862,896
Additions	-	225,937,419	162,101,104	30,638,451	8,221,037	12,290,228	8,967,393	-	448,155,632
Disposals	(15,680,772)	(34,900,814)	(5,458,238)	(6,564,234)	(1,691,269)	(436,539)	(1,359,871)	-	(66,091,737)
Reclassification	-	87,529,089	89,824,836	-	-	5,619,558	-	-	-
Balance at December 31, 2023	249,296,580	1,925,859,134	1,675,352,318	260,492,253	44,425,435	56,151,847	44,937,970	225,384,737	4,298,926,791
Additions	-	253,545,514	287,043,502	81,161,148	16,032,665	13,895,271	66,167	2,210,258	853,954,525
Disposals	-	-	(15,589,457)	-	-	-	-	-	(15,589,457)
Balance at September 30, 2024	₱249,296,580	₱2,179,404,648	₱1,946,806,363	₱341,653,401	₱60,458,100	₱70,047,118	₱45,004,137	₱227,594,995	₱4,894,101,500
Accumulated Depreciation									
Balance at December 31, 2022	83,361,948	910,396,230	938,671,837	144,195,704	19,373,321	31,222,918	24,917,533	-	2,152,139,491
Depreciation	15,031,953	135,975,178	150,331,872	17,574,144	4,212,795	13,050,768	16,572,520	-	352,749,230
Disposals	(7,840,386)	(19,116,067)	(5,094,158)	(6,334,947)	-	(157,091)	(1,199,864)	-	(39,742,513)
Balance at December 31, 2023	90,553,515	1,027,255,341	1,083,909,551	155,434,901	23,586,116	44,116,595	40,290,189	-	2,465,146,208
Depreciation	17,231,904	112,503,067	78,835,405	4,550,501	6,856,232	12,274,083	860,823	-	512,006,070
Disposals	-	-	(1,941,446)	-	-	-	-	-	(1,941,446)
Balance at September 30, 2024	107,785,419	1,139,758,408	1,160,803,510	159,985,402	30,442,348	56,390,678	41,151,012	-	2,775,210,832
Net Book Value									
Balance at December 31, 2023	₱158,743,065	₱898,603,793	₱591,442,767	₱105,057,352	₱20,839,319	₱12,035,252	₱4,647,781	₱225,384,737	₱1,833,780,584
Balance at September 30, 2024	₱145,556,906	₱1,039,646,240	₱786,002,853	₱83,854,772	₱30,015,751	₱13,656,440	₱2,560,742	₱227,594,995	₱2,118,890,668

There are no idle assets as at September 30, 2024 and December 31, 2023. The Group has no property and equipment that are used as collateral for existing loans payable.

11. Intangible Assets

The Group's intangible assets consist of:

	September 30, 2024	December 31, 2023
Goodwill	₱1,324,852,131	₱1,324,852,131
Trademarks	8,773,325,351	8,769,089,243
Software	284,482,563	267,554,247
Franchise right	4,462,706	5,303,692
	₱10,387,122,750	₱10,366,799,313

In 2016, goodwill amounting to ₱1,078.6 million was recognized in connection with its acquisition of BMI while trademarks amounting to ₱4,987.1 million was recognized and treated as acquisition of assets based on relevant accounting standards since such transaction did not qualify as an acquisition of a business.

On April 2, 2019, SPAVI and I-Foods, Inc. (IFI) entered into a purchase agreement (the "Agreement") for the rights, title and interest to the Peri-Peri (P2) Business, including the properties, assets, and rights which are related to or are used in the P2 Business. Such transaction was accounted for as an acquisition of a business and additional goodwill and trademarks amounting to ₱185.5 million and ₱562.2 million were recorded as at the date of acquisition.

P2 Business is a casual and full-service restaurant brand in the Philippines. The restaurant offers variety of food and sauces such as peri-peri chicken, pizza and pasta.

On June 1, 2019 (the acquisition date), SPAVI and WBHI, a newly-incorporated subsidiary, executed a deed of assignment, wherein SPAVI, assigned, transferred and conveyed all its rights under the Agreement, except with respect to SPAVI's rights under the Agreement pertaining to Trademarks, Know-How and Confidential Information, and Intellectual Properties (collectively, the "Intangible Assets") of the P2 Business, to WBHI. Subsequently, WBHI and IFI executed a deed of absolute sale of assets wherein I-Foods sold, transferred and conveyed to WBHI the title, rights, material and physical possession of, and interest in, the assets related to the P2 Business. On the same date, as part of the acquisition of the P2 business, SPAVI acquired 100% ownership of AWIL, which is the owner of the intangible assets relevant to the P2 Business.

On August 24, 2020, the Group entered into a master franchise agreement with Supertea (Int) Pte. Ltd. (Supertea), whereby Supertea granted the Group the following:

- the exclusive right and license to develop and operate the Business, provide the services and sell the products, from the R&B Tea Outlets;
- the exclusive right and license, subject to the fulfillment of certain conditions, to grant franchisees for R&B Tea Outlet to third parties (Sub-Franchisees) by entering into sub-franchise agreements in the form approved and/or provided by Supertea in writing; and
- the non-exclusive right and license to use the Intellectual Property strictly in connection with the aforesaid.

The license does not include the right to sell, provide or distribute any products or services through channels other than the R&B Outlets, or selected outlets as set out in the master franchise agreement.

The master franchise agreement is effective from August 20, 2020 and continue for the initial term of seven (7) years, unless otherwise terminated or renewed.

On November 17, 2021, the Group executed a deed of assignment with DBE Project, Inc. acquiring the Project Pie Design Build Eat trademark for a consideration of ₱1.2 million.

Increase in trademarks and goodwill as of December 31, 2022 amounting to ₱3,208.8 million and ₱60.85 million, respectively, pertains to the business combination recognition during the year.

12. Right-of-Use Assets and Lease Liabilities

Group as a lessee

The Group has lease contracts for its office spaces and stores. Lease contracts office spaces usually has terms of 20 to 25 years while leases of stores usually has terms of 3 to 15 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of stores with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of this account follows:

	September 30, 2024	December 31, 2023
Cost		
Balance at beginning of year	₱2,767,508,242	₱2,376,814,694
Additions	272,298,331	482,493,291
Pre-terminations	(145,109,079)	(91,799,743)
Balance at end of year	2,894,697,494	2,767,508,242
Accumulated Amortization		
Balance at beginning of year	1,226,877,353	933,034,115
Amortization	264,580,352	379,801,415
Pre-terminations	(95,098,412)	(85,958,177)
Balance at end of year	1,396,359,293	1,226,877,353
Net Book Value	₱1,498,338,201	₱1,540,630,889

The rollforward analysis of lease liabilities follows:

	September 30, 2024	December 31, 2023
Balance at beginning of year	₱1,830,838,499	₱1,700,018,174
Additions	268,332,166	485,848,399
Interest expense	36,830,808	111,567,612
Payments	(332,735,610)	(461,980,269)
Pre-terminations	–	(4,615,417)
Balance at end of year	1,803,265,863	1,830,838,499
Current portion of lease liabilities	275,608,551	275,584,146
Lease liabilities -net of current portion	₱1,527,657,312	₱1,555,254,146

The Group has lease contracts for stores that contains variable payments based on the gross sales. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	Fixed Payments	Variable Payments	Total
Fixed	₱168,457,668	₱—	₱168,457,668
Variable rent with minimum payment	119,769,526	69,456,924	189,226,450
Variable rent only	—	2,880,040	2,880,040
As at September 30, 2024	₱288,227,194	₱72,336,964	₱360,564,158

	Fixed Payments	Variable Payments	Total
Fixed	₱168,457,668	₱—	₱168,457,668
Variable rent with minimum payment	119,769,526	69,456,924	189,226,450
Variable rent only	—	2,880,040	2,880,040
As at September 30, 2023	₱288,227,194	₱72,336,964	₱360,564,158

13. Accounts Payable and Other Current Liabilities

	September 30, 2024	December 31, 2023
Trade:		
Suppliers	₱1,231,955,304	₱881,714,386
Related parties	135,016,629	151,700,266
Nontrade	455,649,971	191,766,451
Accrued expenses:		
Suppliers	151,385,916	129,998,023
Utilities	16,816,694	31,533,587
Salaries and wages	89,757,396	17,479,254
Customers loyalty	39,274,469	36,030,849
Interest	—	38,954,319
Others	43,988,514	1,838,479
Other payables	230,117,421	311,075,001
	₱2,394,623,366	₱1,753,136,296

Below are the terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled in 30 to 90 days' term.
- Nontrade payables consist mainly of reimbursable expenses to officers and employees, payable to contractors and employment agencies which are normally settled in 30 to 90 days' term.
- Accrued expenses, which consist mainly of accrual of rent expense of stores, utilities, employee benefits and incentives, freight, commissions and storage costs are normally settled in 30 to 90 days' term.
- Customers loyalty pertain to accumulated points which are generally applied to customer purchases within the next financial year. Revenue is recognized upon actual usage or expiration whichever comes first.
- Other payables are normally settled in 15 to 45 days' term.

Other payables consist of the following:

	September 30, 2024	December 31, 2023
Output VAT	₱1,473,815	₱140,029,064
Withholding tax payable	27,773,755	51,781,597
Provision	46,575,601	-
Retention Payable	9,473,842	47,839,290
Customers' deposits	66,496,782	19,004,028
Fun certificates payable	8,846,826	12,885,728
Others	66,284,054	26,106,536
	₱230,117,421	₱311,075,001

14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For the nine months ended September 30, 2024 and 2023, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Group, in the normal course of business, has significant transactions with the following companies which have common members of BOD and stockholders as the Group:

Category	Nature	Year	Amount/ Volume of transaction	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
Century Pacific Group Inc. (CPGI, Ultimate Parent Company)							
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2024	3,883,421	3,082,080	1,385,087	30-day; non-interest bearing	Unsecured
		2023	4,865,782	2,874,704	–		
Companies with common members of BOD and stockholders as the Group							
The Pacific Meat Company Inc. (PMCI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2024	10,221,618	9,689,164	–	30-day; non-interest bearing	Unsecured; not impaired
		2023	4,070,432	7,068,519	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2024	88,351,136	–	91,707,426	30-day; non-interest bearing	Unsecured
		2023	124,509,354	–	149,710,833		
DBE Project Inc. (DBE)							
Trade sales and service income	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2024	–	-	–	30-day; non-interest bearing	Unsecured; not impaired
		2023	99,814	2,778,786	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost-plus basis	2024	–	–	–	30-day; non-interest bearing	Unsecured; not impaired
		2023	–	–	–		
Century Pacific Food Inc. (CPFI)							
Sales	Sale of goods at prices (normally on cost plus basis) mutually agreed upon by both parties	2024	12,590,190	5,818,296	–	30-day; non-interest bearing	Unsecured; not impaired
		2023	11,845,315	4,407,641	–		
Purchases	Purchase of raw materials and goods at agreed prices usually on a cost plus basis	2024	17,973,330	–	25,751,388	30-day; non-interest bearing	Unsecured
		2023	22,055,131	–	18,236,318		
			2024	20,551,975	118,843,900		
			2023	17,135,806	167,947,151		

Compensation of Key Management Personnel

The salaries and pension costs of key management personnel in 2024 and 2023 are as follows:

	For the nine months ended September 30,	
	2024	2023
Salaries	₱135,631,623	₱97,868,996
Pension costs	21,060,093	18,196,776
	₱156,691,716	₱116,065,772

There are no other short-term and long-term benefits given to the key management personnel.

15. Short-term Loans Payable

	September 30, 2024	December 31, 2023
Balance at beginning of year	₱700,000,000	₱500,000,000
Additions	300,000,000	200,000,000
Balance at end of year	₱1,000,000,000	₱700,000,000

As at September 30, 2024, the loan has a total outstanding amount of ₱1,000.0 million with interest rate of 5.70%-6.25% per annum. Interest expense pertaining to short-term loans amounting to ₱33 million and ₱19.9 million was recognized for the periods ended September 30, 2024 and 2023, respectively.

16. Long-term Loan PayableLong-term facility loan

On June 8, 2016, the Group entered into an Omnibus Loan and Security Agreement (OLSA) with BDO Unibank, Inc. (the Lender) and SAFHI. The lender provided a term loan facility in the principal amount of ₱5,000.0 million.

The loan is payable within 10 years to commence on the 12th month following the availment date. Payments shall be made in 18 consecutive semi-annual installments of ₱25.0 million and a final payment of ₱4,550.0 million.

The loan's interest is to be fixed at the higher of 5-year PDST-R2 plus a spread of 0.75% or 4.5% floor rate for the first 5 years, to be repriced at the last 5 years. Management has assessed that the interest rate floor on the loan is an embedded derivative which is not for bifurcation since the market rate approximates the floor rate at the transaction date.

The loan facility also contains a prepayment provision which allows the Group to make optional prepayment in the amount calculated by the lender comprising (i) the outstanding principal amount of the Loan to be prepaid, and (ii) any accrued interest on the principal amount of the Loan being prepaid computed as of the date of prepayment. The prepayment option was assessed as closely related to the loan and thus, was not bifurcated.

On December 22, 2016, the Group notified BDO of its intention to prepay the loan amounting to ₱1,000.0 million. The exercise of the prepayment option resulted in the revision of estimated future payments and change in the carrying amount of the financial liability as at December 31, 2016.

As at September 30, 2024 and December 31, 2023, the Group is in compliance with the covenants.

Bank of the Philippines Islands (BPI) Loan

On February 24, 2022, the Group entered into a loan agreement with Bank of the Philippines Islands (the Lender). The Lender provided a principal amount of 1,600.0 million, payable in ten years from March 2, 2022 (the value date). The loan has an effective interest rate of 4.3% payable monthly until paid in full.

The loan agreement also contains a prepayment provision which allows the Group to make optional prepayments in the amount of ₱320.0 million on March 2, 2025, ₱8.0 million on March 2, 2026, and a final payment of ₱1,232.0 million on maturity date.

The Group is not subject to any loan covenants from BPI loan.

The breakdown of the loan is as follows:

	September 30, 2024	December 31, 2023
BDO loan - principal	₱3,622,932,514	₱3,647,932,514
Less unamortized debt issue costs	5,361,523	5,361,523
BDO loan – net of unamortized debt issue cost	3,517,570,991	3,642,570,991
BPI loan	1,600,000,000	1,600,000,000
Less current portion of long-term loan	47,932,514	47,876,004
Noncurrent portion	₱5,169,638,477	₱5,194,694,987

Interest expense amounting to ₱214.7 million and ₱168.5 million was recognized for the nine months ended September 30, 2024 and 2023, respectively.

19. Equity

Capital Stock

	Number of shares	Amount
Authorized capital stock - ₱1 par value:	2,000,000,000	₱2,000,000,000
Issued and outstanding capital stock - ₱1 par value	1,683,760,178	1,683,760,178

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	2,000,000,000	1,179,321,053	₱1.00
December 1, 2016	Initial Public Offering (IPO)			
	Primary	2,000,000,000	104,000,000	11.26
	Secondary	2,000,000,000	202,000,000	11.26
	Over-allotment Option	2,000,000,000	46,000,000	11.26
August 6, 2021	Issuance	2,000,000,000	152,439,025	7.93
August 9, 2021	Issuance	2,000,000,000	100	8.20

The issued and outstanding shares are held by 43 equity holders as at September 30, 2024 and 41 equity holders as at December 31, 2023.

Retained Earnings

Details of cash dividends declared in 2024 and 2023 are as follows:

Date of Declaration	Dividend		Record Date
	Rate (per share)	Amount	
June 20, 2023	0.10	168,376,017	July 31, 2023
April 12, 2024	0.20	336,752,034	May 15, 2024

There is no outstanding dividends payable as at September 30, 2024 and December 31, 2023.

Undistributed earnings of the subsidiaries included in the Group's retained earnings amounting to ₱299.3 million as at September 30, 2024 and ₱200.4 million as at December 31, 2023 are not currently available for dividend distribution.

APIC

Amount received in excess of the par values of the shares issued amounting to ₱2,451.1 million were recognized as "APIC" as at September 30, 2024 and December 31, 2023, respectively.

20. Earnings per Share (EPS)

Basic EPS is computed based on the weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year. When there are no potential common shares or other instruments that may entitle the holder to common shares, diluted EPS, is the same as the basic EPS.

There are no dilutive financial instruments as of September 30, 2024 and December 31, 2023, hence, diluted EPS is the same as the basic EPS.

The Group's EPS were computed as follows:

	For the nine months ended September 30,	
	2024	2023
(a) Net income (loss)	₱670,628,387	₱745,807,762
(b) Weighted average number of shares outstanding	1,683,760,178	1,683,760,178
Basic/ diluted EPS (a/b)	₱0.40	₱0.44

21. Financial Risks Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS investments and loan to a related party. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, rental deposit, accounts payable and other current liabilities arising directly from operations and dividends payable.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and equity price risk on AFS investment. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk. Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Group manages and controls

credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and equity price risk on AFS investment. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account of any collateral and other credit enhancements:

	September 30, 2024	December 31, 2023
Cash*	₱818,964,548	₱821,461,587
Trade and other receivables	2,212,852,140	1,234,629,010
Rental and other deposits	382,308,593	312,411,004
Total credit risk exposure	₱3,414,125,281	₱2,368,501,601

*Excluding cash on hand.

An aging analysis of financial assets per class are as follows:

	September 30, 2024					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	Over 181 days	Subtotal		
Cash*	₱818,964,548	₱-	₱-	₱-	₱-	₱818,964,548
Trade and other receivables	1,666,860,942	527,088,462	3,462,254	530,550,716	15,440,482	2,212,852,140
Rental and other deposits	298,281,893	-	80,729,407	80,729,407	3,297,293	382,308,593
	₱2,784,107,384	₱527,088,462	₱84,191,661	₱611,280,123	₱18,737,775	3,414,125,281

*Excluding cash on hand.

	December 31, 2023					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1-180 Days	Over 181 days	Subtotal		
Cash*	₱821,461,587	₱-	₱-	₱-	₱-	₱821,461,587
Trade and other receivables	1,087,463,927	131,650,542	5,675,103	137,325,645	9,839,438	1,234,629,010
Rental and other deposits	245,867,461	-	63,246,251	63,246,251	3,297,293	312,411,004
	₱2,154,792,975	₱131,650,542	₱68,921,354	₱200,571,896	₱13,136,731	₱2,368,501,601

*Excluding cash on hand.

A financial asset is considered past due when a counterparty has failed to make a payment when contractually due. "Past due but not impaired" financial assets are items with history of frequent default. Nevertheless, the amounts due are still collectible. Lastly, "Impaired" items are those that are long outstanding and have been specifically identified as impaired.

The tables below show the credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding debtors:

	September 30, 2024			
	High grade	Medium grade	Standard grade	Total
Cash*	₱818,964,548	₱-	₱-	₱818,964,548
Trade and other receivables:				
Trade receivables	631,525,390	492,977,275	-	1,124,502,665
Royalty receivable	61,043,211	-	-	61,043,211
Receivable from franchisee	-	-	271,228,296	271,228,296
Receivable from NAF	-	-	51,829,287	51,829,287
Receivable from employees	-	-	21,746,660	21,746,660
Other receivables	132,194,517	-	-	132,194,517
Rental and other deposits	-	-	298,281,893	298,281,893
	₱1,643,727,667	₱492,977,275	₱643,086,136	₱2,779,791,078

*Excluding cash on hand.

	December 31, 2023			
	High grade	Medium grade	Standard grade	Total
Cash*	P821,461,587	P—	P—	P821,461,587
Trade and other receivables:				
Trade receivables	361,316,833	379,066,378	—	740,383,211
Royalty receivable	176,925,409	—	—	176,925,409
Receivable from NAF	—	—	51,829,287	51,829,287
Receivable from franchisee	—	—	61,680,414	61,680,414
Receivable from employees	—	—	23,383,344	23,383,344
Other receivables	33,262,262	—	—	33,262,262
Rental and other deposits	—	—	245,867,461	245,867,461
	P1,392,966,091	P379,066,378	P382,760,506	P2,154,792,975

*Excluding cash on hand.

Financial assets classified as “high grade” are those cash and cash equivalents transacted with reputable local banks and financial assets with no history of default on the agreed contract terms while “medium grade” includes those financial assets being collected on due dates with an effort of collection. Financial instruments classified as “standard grade” are those financial assets with little history of default on the agreed terms of the contract.

Liquidity Risk. Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of advances to related parties. The Group maintains sufficient cash to finance its operations.

The Group manages its liquidity risk by maintaining strength and quality on financial position where debt-to-equity ratio is at a manageable level. The Group also maintains a financial strategy that the scheduled debts are within the Group’s ability to generate cash from its business operations.

The tables below summarize the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments. The tables also analyze the maturity profile of the Group’s financial assets in order to provide a complete view of the Group’s contractual commitments and liquidity.

	September 30, 2024					
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	Total
Cash	P901,754,969	P—	P—	P—	P—	P901,754,969
Trade and other receivables						
Trade	1,124,502,665	146,324,673	367,095,232	—	12,945,290	1,650,867,859
Royalty receivables	61,043,211	—	—	—	—	61,043,211
Receivable from franchisees	271,228,296	—	—	—	—	271,228,296
Receivable from NAF	51,829,287	—	—	—	—	51,829,287
Receivables from employees	21,746,660	11,472,362	1,071,642	—	2,014,278	36,304,942
Other receivables	136,781,325	—	—	—	480,914	137,262,239
Rental and other deposits	298,281,893	—	—	80,729,407	3,297,293	382,308,593
	2,867,168,307	157,797,034	368,166,874	80,729,407	18,737,775	3,492,599,397
Accounts payable and other current liabilities:						
Trade payables	—	1,366,971,932	—	—	—	1,366,971,932
Nontrade payables	—	455,649,971	—	—	—	455,649,971
Accrued expenses	—	297,234,474	—	—	—	297,234,474
Other payables*	—	200,869,850	—	—	—	200,869,850
Dealers’ deposit and other noncurrent payables	—	—	—	—	76,583,685	76,583,685
Long-term loans payable	47,932,514	—	—	—	5,169,638,477	5,217,570,991
	47,932,514	2,320,726,227	—	—	5,246,222,162	7,614,880,903
Liquidity gap	P2,819,235,793	(P2,162,929,193)	P368,166,874	P80,729,407	(P5,227,484,387)	(P4,122,281,506)

*Excluding statutory payables.

	December 31, 2023					Total
	Due and Demandable	< 90 Days	91–180 Days	181–365 Days	Over 365 Days	
Cash	₱901,147,527	₱–	₱–	₱–	₱–	₱901,147,527
Trade and other receivables						
Trade	750,241,303	72,053,021	10,500,334	–	5,531,045	838,325,703
Royalty receivables	43,257,615	10,659,071	–	6,879,438	884,290	61,680,414
Receivable from NAF	30,039,722	21,789,565	–	–	–	51,829,287
Receivable from franchisees	176,925,408	–	–	–	–	176,925,408
Receivables from employees	4,821,452	16,548,551	–	–	1,913,341	23,383,344
Other receivables	82,178,426	–	–	–	306,428	82,484,584
Rental and other deposits	245,867,461	–	–	–	66,543,544	312,411,005
	2,234,478,914	121,150,208	10,500,334	6,679,438	75,178,648	2,448,187,542
Accounts payable and other current liabilities:						
Trade payables	–	1,033,414,652	–	–	–	1,033,414,652
Nontrade payables	–	191,766,451	–	–	–	191,766,451
Accrued expenses	–	216,880,192	–	–	–	216,880,192
Other payables*	–	310,573,934	–	–	–	310,573,934
Dealers' deposit and other noncurrent payables	–	–	–	–	106,626,720	106,626,720
Long-term loans payable**	47,932,514	–	–	–	5,194,694,987	5,242,570,991
Lease Liability	366,104,436	–	–	–	1,944,392,088	2,310,496,524
	413,980,440	1,752,635,229	–	–	7,245,713,795	9,412,329,464
Liquidity gap	₱1,820,498,474	(₱1,631,485,021)	₱10,500,334	₱6,679,438	(₱7,170,535,147)	(₱6,964,141,922)

*Excluding statutory payables.

Capital Management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can to provide returns to stockholders and benefits to others stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group adjust the dividend payment to stockholders, return capital to stockholders or issue new shares.

The Group's debt-to-equity ratios is as follows:

	September 30, 2024	December 31, 2023
Total liabilities	11,669,594,505	10,668,738,593
Total equity	8,301,925,390	7,959,416
	1.41:1	1.34 :1

22. Fair Value Information

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash, trade and other receivables, accounts payable and other current liabilities and dividends payable, based on their notional amounts, reasonably approximates their fair values because these are mostly short-term in nature or are repriced frequently.

Other Financial Instruments. Set out below is a comparison by category of carrying amounts and estimated fair values of the Group's financial instruments other than those described above:

As at September 30, 2024				
		Fair Value		
	Date of Valuation	Carrying Value	Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Rental deposits	September 30, 2024	₱382,308,593	₱–	₱382,308,593
Liabilities for which fair values are disclosed:				
Long-term loans payable	September 30, 2024	₱5,217,570,991	₱–	₱5,217,570,991
Dealers' deposits	September 30, 2024	76,583,685	–	76,583,685
		₱5,676,463,269	₱–	₱5,676,463,269

As at December 31, 2023				
	Date of Valuation	Carrying Value	Fair Value	
			Level 1 Quoted	Level 2 Significant Observable Input
Assets for which fair values are disclosed -				
Rental deposits	December 31, 2023	309,113,712	–	300,110,399
		₱309,113,712	₱–	₱300,110,399
Liabilities for which fair values are disclosed:				
Long-term loans payable	December 31, 2023	₱5,242,570,991	₱–	₱5,457,516,402
Dealers’ deposits	December 31, 2023	106,626,720	–	104,355,571
		₱5,349,197,711	₱–	₱5,561,871,973

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Rental Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 1.65% as at September 30, 2024 and December 31, 2023.

Long-term loans Payable. The fair value of loan payable which was discounted using prevailing market rate of 4.18% as at September 30, 2024 and December 31, 2023 approximates the carrying value since these bear interest at current market rates. Fair value category is Level 2, significant observable inputs.

Dealers' Deposits. The fair values were obtained by discounting the instruments' expected cash flows using interest rates of 4.69% and 4.92% as at September 30, 2024 and December 31, 2023.

As at September 30, 2024 and December 31, 2023, there were no transfers between Level 1 and 2 fair value measurements.