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SEC Registration Number

C O S C O C A P I T A L , I N C .

(Company's Full Name)

N O . 9 0 0 R O M U A L D E Z S T . , P A C O ,  
M A N I L A

(Business Address: No. Street City/Town/Province)

CANDY H. DACANAY-DATUON

(632) 8522-8801 to 04

(Company Telephone Number)

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Month

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Day

SEC FORM 17-C

(Form Type)

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Month

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(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES  
REGULATIONS CODE AND SRC RULE 17.2 (C) THEREUNDER

Date of Report	August 10, 2022
SEC Identification Number	147669
BIR Tax Identification Number	000-432-378
Name of Issuer as specified in its charter	Cosco Capital, Inc.
Address of principal office and postal code	No. 900 Romualdez St., Paco, Manila, 1007
Industry Classification Code	
Issuer's Telephone Number	(632) 522-8801
Former Name	None
Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA	Number of Common Shares – 7,185,522,764  Treasury Shares – 219,740,800
Indicate the item numbers reported therein	Other Matters/Event

***Other Event:***

Please refer to the attached Cosco Capital, Inc.'s Financial Highlights and Press Release for Q2 – 2022 Financial Performance of the Company.

**SIGNATURE**

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 hereunto duly authorized.

**COSCO CAPITAL, INC.**



**CANDY H. DACANAY-DATUON**  
Assistant Corporate Secretary & Compliance Officer

# COSCO CAPITAL, INC.

## Condensed Financial Highlights

### For the period ended June 30, 2022

#### I. FINANCIAL HIGHLIGHTS

The following highlights provide a condensed management discussion and analysis of the consolidated financial performance, financial position as well as cash flows of the Group for the six-months period ended June 30, 2022.

A more comprehensive Management Discussion and Analysis shall be prepared and incorporated as part of the 17Q Quarterly Report during the said period that should be read in conjunction with the accompanying interim unaudited financial statements and notes thereto which form part of the Quarterly Report.

#### II. CONSOLIDATED FINANCIAL PERFORMANCE

The table below shows the consolidated results of operations of the Group for the periods ended June 30, 2022 and 2021.

<i>(In Thousands)</i>	1H2022	%	1H2021	%	INCREASE (DECREASE)	%
REVENUES	87,444,057	100.00%	80,601,462	100.00%	6,842,596	8.49%
COST OF SALES/SERVICES	69,865,110	79.90%	64,789,112	80.38%	5,075,998	7.83%
GROSS PROFIT	17,578,948	20.10%	15,812,350	19.62%	1,766,598	11.17%
OTHER OPERATING INCOME	1,468,082	1.68%	1,567,109	1.94%	(99,028)	-6.32%
GROSS OPERATING INCOME	19,047,029	21.78%	17,379,459	21.56%	1,667,570	9.60%
OPERATING EXPENSES	10,753,565	12.30%	10,166,762	12.61%	586,803	5.77%
INCOME FROM OPERATIONS	8,293,464	9.48%	7,212,697	8.95%	1,080,767	14.98%
OTHER INCOME (CHARGES) - net	(1,047,398)	-1.20%	(1,033,508)	-1.28%	(13,890)	1.34%
INCOME BEFORE INCOME TAX	7,246,067	8.29%	6,179,189	7.67%	1,066,878	17.27%
INCOME TAX EXPENSE	1,650,981	1.89%	1,185,942	1.47%	465,038	39.21%
NET INCOME FOR THE PERIOD	5,595,086	6.40%	4,993,247	6.19%	601,839	12.05%
PATMI	3,239,977	3.71%	2,961,665	3.67%	278,313	9.40%
Non-controlling interests	2,355,109	2.69%	2,031,582	2.52%	323,527	15.92%
	5,595,086	6.40%	4,993,247	6.19%	601,839	12.05%
EARNINGS PER SHARE (EPS)	0.46658		0.42601			9.52%
EBITDA	10,471,483	11.98%	9,514,241	11.80%	957,242	10.06%

### Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of P87.44.68 Billion for the first half ended June 30, 2022 which reflects an increase by P6.84 Billion or representing a growth by 8.49% compared to last year's first half revenue of P80.60 Billion.

The Grocery Retail and Liquor Distribution Segments largely delivered stronger sales performance and growth during the second quarter that lifted the overall revenue growth generated for the first half of 2022 which indicates the recovering consumer demands resulting from the continued easing of mobility restrictions as well as the corresponding economic recovery indicators amidst the current volatilities affecting the global business and markets.

The Commercial Real Estate segment posted some recovery gains in revenue as it also benefits from the continued easing of mobility restrictions allowing more tenants to gradually recover its business volume and enabling the gradual reduction in rental discounts and reliefs previously granted.

The Specialty Retail segment likewise benefited from the gains resulting from the sustained easing of community restrictions that enabled its continued store operations.

As previously reported, the revenues of the Group's business segments during the first quarter of 2022 have continued to be affected in varying degrees by the business and social disruptions resulting from the continuing general community quarantine and mobility restrictions imposed by the Philippine Government on a nationwide scale due to the Covid-19 pandemic particularly with the heightened community restrictions and lockdowns imposed from January 15, 2022 to February 15, 2022 due to the extraordinary surge in infection rate caused by the Omicron variant of the Covid-19 virus.

The extent of the business impacts on each segment are more fully described in the specific segment operating and financial highlights section.

The continuing implementation and vigorous roll-out of the nationwide vaccination program including the highly recommended booster shots jointly undertaken by the government and private sector which started during the first quarter 2021 provided a source of national relief and optimism that will determine the shape of the macro-economic and socio-political policies and environment as well as the continued impact on the Group's business for the balance of the year.

Recent monitoring reports from health authorities, however, indicate that while community restrictions have been eased towards near normalcy, vulnerabilities in Covid virus infections remains to be a challenge for the community to remain vigilant in ensuring that established health and safety protocols are always observed.

### **Growth in Consolidated Net Income**

During the same period and despite the challenges from the lingering macro-economic impacts on business, the Group, however, managed to realize a consolidated net income of P5.59 Billion which represents a growth of 12.05% as compared to last year's net income of P4.99 Billion.

This was mainly driven by a combination of management's strategic initiatives and efficiency measures at all business segments that involved enhancements in the cost of goods sold and services coupled by sustained strategic costs and expense reduction and management. The implementation of the reduced corporate income tax rate under the CREATE Law also contributed to the growth in the group's consolidated net income.

Net income attributable to equity holders of the parent company (PATMI) in 2022 amounted to about P3.24 Billion which increased by P278.31 million or 9.40% as compared to the 2021 PATMI amounting to P2.96 Billion.

## **Segment Financial Performance Highlights**

### **Grocery Retail Segment**

#### **Net Sales**

For the period ended June 30, 2022, the Grocery Retail segment posted a consolidated net sales of P82,236 million for an increase of P6,053 million or 7.9% compared to P76,183 million in the same period of 2021. Net sales slightly grew due to sales contribution from full operation of 2021 new stores and revenue contribution from newly opened stores of both Puregold and S&R.

Like for like sales performance indicators for the period ended June 30 are as follow:

	<b>PGOLD</b>		<b>S&amp;R</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
Net Sales	<b>0.6%</b>	-13.7%	<b>3.8%</b>	6.5%
Net Ticket	<b>-5.8%</b>	17.1%	<b>8.2%</b>	2.1%
Traffic	<b>6.8%</b>	-26.3%	<b>-4.1%</b>	4.4%

#### **Gross Profit**

For the period ended June 30, 2022, the Grocery Retail segment realized an increase of 9.8% in consolidated gross profit from P14,279 million in 2021 at 18.7% margin to P15,676 million at 19.1% margin in the same period of 2022, driven by strong and continuing suppliers' support through additional trade discounts in the form of rebates and conditional discounts granted during the period.

#### **Other Operating Income**

Other operating income decreased by P96 million or 6.2% from P1,561 million in the six months of 2021 to P1,465 million in the same period of 2022. This is attributable to decline in concession income due to lower concession sales during the period.

#### **Net Income**

For the period ended June 30, 2022, the Grocery Retail segment earned a consolidated net income of P4,199 million at 5.1% net margin and an increase of 5.4% from P3,986 million at 5.2% net margin in the same period of 2021. This was principally driven by the continuous organic expansion of the Group's grocery retail outlets, strategic cost management and sustained strong consumer demand.

### **Commercial Real Estate Segment**

The Group's Real Estate Segment posted a revenue of P867.40 Million in 2022 or 5.26% growth from the P824.03 Billion revenue generated in 2021.

This was mainly attributable to the continued easing of mobility restrictions and corresponding benefits from a recovering level of economic activities benefiting its tenants to gradually improve their business operations.

The segment continued to be affected by impact of extending rental reliefs and related supports to its affected tenants portfolio during the period in the form of either waiver or reduction of rentals and related fees and charges depending on the category classification of their business and the extent to which their business operating levels have been affected.

Income from operations before depreciation amounted to P642.50 Million for the year 2022 which grew by 6.53% as compared to 2021.

Net income for the period amounted to P424.38 Million or a 7.41% increase from last year's P395.09 Million due to increase in revenue, strategic cost savings measured implemented and the effect of reduced income tax rates resulting from passage of CREATE Law.

### **Liquor Distribution Segment**

Revenues generated by the Liquor Distribution Segment in 2022 increased to P5.47 Billion or 27.37% higher from last year's P4.3 Billion on the back of a 23% growth in volume (no. of cases) of sales

The strong growth in sales is attributable to the robust sales performance from all categories particularly the recovering demand and consumption from the on-premise sector as well as the gradually increasing demand from the travel retail sector resulting from the easing community restrictions. All these developments contributed to the overall 23% growth in sales volume during the first semester despite some price increase implemented from our supplier which accounted for about 10% of the sales revenue growth. Moreover and as can be seen in the sales mix table below, the wines and specialty beverage categories posted higher growth rates which are 56% and 107% respectively reinforcing the consistently growing sales driven by brandy category driven by the group's flagship brand, Alfonso Brandy.

Income from operations, increased to P1.15 Billion in 2022 or 37.05% growth from last year's P838.83 Million principally driven by improved gross margins and sustained strategic costs and expense management including its marketing and distribution costs.

As a result, net income for the period grew by 38.34% from P708.92 Million in 2021 to P980.74 Million in 2022. The effect of reduced income tax rates resulting from the passage of CREATE Law also contributed to the growth in net income.

### **Specialty Retail Segment**

Sales revenues amounted to P788.32 Million in 2022 which is of the same level to the 2021 revenue. Sales grew by 9% in the second quarter enough to recover the sales gap that happened in the first quarter of the year.

The segment's sales performance during the first quarter was affected by the government imposed community and mobility restrictions and the temporary closure of the company's predominantly CBD-centric store outlets having been classified as non-essential business during the recently imposed heightened restrictions due to the resurgence of the infection rates particularly driven by the Omicron variant.

Office Warehouse is looking forward to capitalize on the back-to-school season big time savings promo which augurs well for the company with robust sales growth started to be experienced in July 2022.

Net income in 2022 amounted to about P25.55 Million which decreased by P4.67 Million or 15.5% as compared to the net income contribution in 2021 amounting to P30.22 Million.

## **III. CONSOLIDATED FINANCIAL POSITION**

### **Consolidated Statements of Financial Position**

The Group's consolidated financial position as at June 30, 2022 continued to remain very strong and robust which provide a solid platform for the Group to navigate its business operations and implement its strategic expansion plans not only for the balance of the year but for the medium term.



The following are the major highlights of the Group's financial position as at June 30, 2022:

- a. A very strong liquidity and cash position amounting to more than Php52 Billion representing about 28% of the consolidated assets
- b. Positive working capital amounting to P79.3 billion with a very comfortable working capital/current ratio of 6.57 times.
- c. Increases in non-current assets reflecting continued investments in organic expansion for the Grocery Retail and Commercial Real Estate segments

Low Debt to Equity ratio of 0.46 times which provides more gearing elbow room to be able to raise debt capital financing to fund strategic investment opportunities as and when necessary.

### **Current Assets**

As at June 30, 2022 and December 31, 2021, total non-current assets amounted to P93.54 Billion or 49.94% of total assets, and P95.73 Billion or 51.03% of total assets, respectively, for a decrease of P2.19 Billion or 2.29%. The decrease was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables, increase in inventories and short term investments.

### **Non-current Assets**

As at June 30, 2022 and December 31, 2021, total non-current assets amounted to P93.78 Billion or 50.06% of total assets, and P91.85 Billion or 48.97% of total assets, respectively, for an increase of P1.92 Billion or 2.09%, due principally to capital expenditures pertaining to new stores established by the Grocery Retail Segment.

### **Current Liabilities**

As at June 30, 2022 and December 31, 2021, total current liabilities amounted to P14.24 Billion and P20.79 Billion respectively, for a decrease of P6.54 Billion or 31.47% primarily due to the settlements of trade and non-trade liabilities and dividends declared by the Grocery Retail segment and Parent Company in December 2021.

### **Noncurrent Liabilities**

As at June 30, 2022 and December 31, 2021, total non-current liabilities amounted to P44.48 Billion and P43.71 Billion, respectively, for an increase of P767.39 Million or 1.76% due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the period recognized under the new lease accounting standards, PFRS 16.

### **Equity**

As at June 30, 2022 and December 31, 2021, total equity amounted to P128.60 Billion and P123.09 Billion, respectively, for an increase of P5.51 Billion or 4.47% due to profit realized by the Group

#### IV. SOURCES AND USES OF CASH

A brief comparative summary of cash flow movements during the three-month period is shown below:

<i>(In Thousands)</i>	<u>For the Three-month period ended</u>			
	<u>June 30</u>			
		<b>2022</b>		2021
Net cash used in operating activities	<b>P</b>	<b>(2,448,317)</b>	<b>P</b>	125,525
Net cash used investing activities		<b>(6,841,652)</b>		2,924,527
Net cash used in financing activities		<b>(2,465,747)</b>		(6,204,619)
<b>Net decrease in cash and cash equivalents</b>	<b>P</b>	<b>(11,755,716)</b>	<b>P</b>	<b>(3,154,567)</b>

Net cash used for operating activities during the current period are basically attributable to the net effect of the net settlement of trade and non-trade payable accounts by the Grocery Retail, Liquor Distributions, Real Estate and Specialty Retail segments.

On the other hand, net used for investing activities mainly pertains to the funds used for acquisition of government securities investment and additional capital expenditures by the Grocery Retail segment's new stores expansion and additional capital expenditures by the Real Estate segment.

Net cash used in financing activities principally resulted from the effect of settlements of bank loans by the Liquor Distribution segment during the period, payment of 2021 cash dividends declared by the Grocery Retail segment and Parent Company, payment of interest from loans by Grocery Retail segment and Parent Company and settlement of lease liability pertaining to principal.

Management believes that the current levels of internally generated funds and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. This can be augmented through availments from existing untapped banking and credit facilities as and when required.



## **Cosco Capital net income hits PHP 5.6 billion in 1H 2022 up 12%**

Manila, Philippines - Cosco Capital, Inc., the listed retail holding firm of Mr. Lucio L. Co, reported a 12% growth in its consolidated net income of Php 5.6 billion for the first half of 2022 versus Php 4.99 billion in the same period in 2021. Consolidated Revenues for Cosco amounted to Php 87.44 billion in the first half of 2022, up 8.5% versus Php 80.6 billion in the same period of 2021.

The company continued to benefit by way of a better bottom line results from a combination of the gross margin enhancements thru stronger suppliers supports, sustained strategic cost and expense management.

For the first half of 2022, the group's grocery retailing businesses, Puregold Price Club, Inc. and S&R Membership Shopping Club, contributed 64% of total core net income, followed by the Liquor Distribution with 23%, Commercial Real Estate segment with 13%.

The grocery retail segment experienced an increase in its consolidated revenues by 7.9% to PHP 82.24 billion. Sales had an uplift as mobility eased further in the second quarter. Total traffic to all stores increased by 10% versus the same period last year. With increased shopper confidence, the enterprise experienced positive same store sales growth (SSSG) of 0.6% for Puregold Stores and 3.8% for S&R Warehouse Clubs. Gross Profit of Php 15.70 billion grew at a faster clip by 9.8% year on year as operating expenses rose to Php 10.4bn - a 6.9% increase from a year ago. The grocery retail segment also managed a 5.4% growth in net income to PHP 4.2 billion compared to the same period in 2021.

The Liquor Distribution business thru The Keepers Holdings Inc. has recorded a consolidated revenue amounting to Php 5.48 billion, a 27.4% growth versus same period last year on the back of a 23% growth in volume of cases sold totaling more than 2.1 million cases sold in the first half of 2022. This was driven principally by the continued robust performance of Alfonso, the leading imported brandy in the market, which has already surpassed its pre pandemic levels, preimmunizing market and on-premise channel rebound. Sales performance from our Wines as well as Specialty Beverages categories also registered

remarkable growth contributing to the overall revenue growth during the same period which clearly indicates a recovering demand with the easing of community restrictions. Net income for the liquor segment jumped by 39.5% to PHP 981 million in the first half of 2022 resulting from the strong sales performance from all categories – imported wine, spirits, and specialty beverages.

The Commercial Real Estate segment posted a 5% growth in rental revenue amounting to PHP 867 million in the first half of 2022 as with the gradual opening up of the economy. The real estate segment also managed to improve its net income by 7.4% to PHP 424 million for the period in 2022 versus Php 395 million in the same period in 2021 due to a combination of strategic cost efficiencies in the management of its cost of services as well as operating expenses. The real estate group continued to expand its real estate assets portfolio through acquisitions of additional land banking assets for future development and initiated the development of two commercial assets to be completed during the year.

For the Specialty Retailing business segment, Office Warehouse, Inc.'s revenues posted flat growth at PHP 788 million as it continued to recover from the effects of lockdowns during the first quarter of 2022. Net income slightly declined to Php 26 million in first half 2022 from Php 30 million in same period 2021.