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Message from the Chairman and the President

Annual Report 2022

Cosco Capital, Inc.

Message from the Chairman and the President

The year 2022 saw improved mobility as the Philippine economy geared towards post-pandemic recovery. The Philippines' GDP grew 7.2 percent in the fourth quarter of 2022, resulting in a full-year growth of 7.6 percent in 2022.



The declining COVID-19 infection rate, significant vaccination coverage and the easing of pandemic-related restrictions all led to a rebound in consumer spending.

These shifts towards economic recovery and increased consumer demand have helped our company achieve higher revenue growth across all our business segments despite prevailing industry challenges.

Coupled with our strong balance sheet, consolidated revenues from all our business

segments grew by 13 percent to PHP 197.14 billion in 2022. Our net income also increased by 16.86% to PHP 12.28 billion versus PHP 10.51 billion in the previous year.

We are pleased to report that Cosco Capital has emerged from the pandemic in an even stronger position, which is a testament to the breadth of our portfolio. As the leading retail and investment holding company, we will continue to pursue strategic growth guided by our mission of enriching Filipino lives through our quality products and excellent services.

Business Segment Review

Throughout the year, all business segments were able to maintain efficient business operations that delivered profitable results. The group's Grocery Retail segment contributed 63% of total core net income, followed by Wine and Liquor Distribution at 25%, Commercial Real Estate segment at 11% and Specialty Retail at 1%.

Grocery Retail



The grocery retailing business, which includes the flagship Puregold Price Club, Inc. and S&R Membership Shopping Club, registered a consolidated revenue contribution of PHP 184.30 billion – an increase of 12.3% compared to the segment's revenues of PHP 164.13 billion in 2021. Net income also grew to PHP 9.29 billion in 2022, up by 13.5% from the previous year's PHP 8.18 billion.

The increase in revenues is attributable to sales contributions from the full operation of new Puregold and S&R stores opened in 2021 and 2022.

As of FY 2022, the Grocery Retailing segment is operating a total of 525 stores.

Puregold opened a total of 24 new stores in 2022 while S&R opened four Quick-Service Restaurants (QSR)s. Five S&R warehouse clubs are currently under development, four of which are expected to open in 2023.



Wine and Liquor Distribution



The wine and liquor distribution through The Keepers Holdings recorded consolidated revenues of PHP 13.95 billion in 2022, a 26.5% growth compared to the same period last year.

The strong growth in sales is attributable to robust performance across all key product categories, particularly due to recovering demand and consumption from on-premise and off-premise channels. Strategic price adjustments on certain product SKUs also contributed to the revenue uplift.



This brought net income for the liquor segment to PHP 2.23 billion, up by 41.1%.

During the year and pursuant to its strategic plans, Keepers had also completed its acquisition of 50 percent equity in Bodegas Williams & Humbert SA – the producers of company's top brandy, Alfonso. The group also established a Cebu distribution hub last year to further expand its reach.

The Keepers maintains market leadership in all leading categories of the imported spirits segment, being the largest distributor of imported spirits in the Philippines. It has a market share of 74.0% based on volume and 66.9% based on retail sales value in 2020*.

*source : IWSR Drinks Market Analysis Limited ("IWSR").

Real Estate



The commercial real estate segment posted a 7% percent growth in rental revenue to PHP 1.82 billion in 2022. This was mainly attributable to the continued easing of mobility restrictions and corresponding increase in economic activity, allowing tenants to gradually improve their business operations.

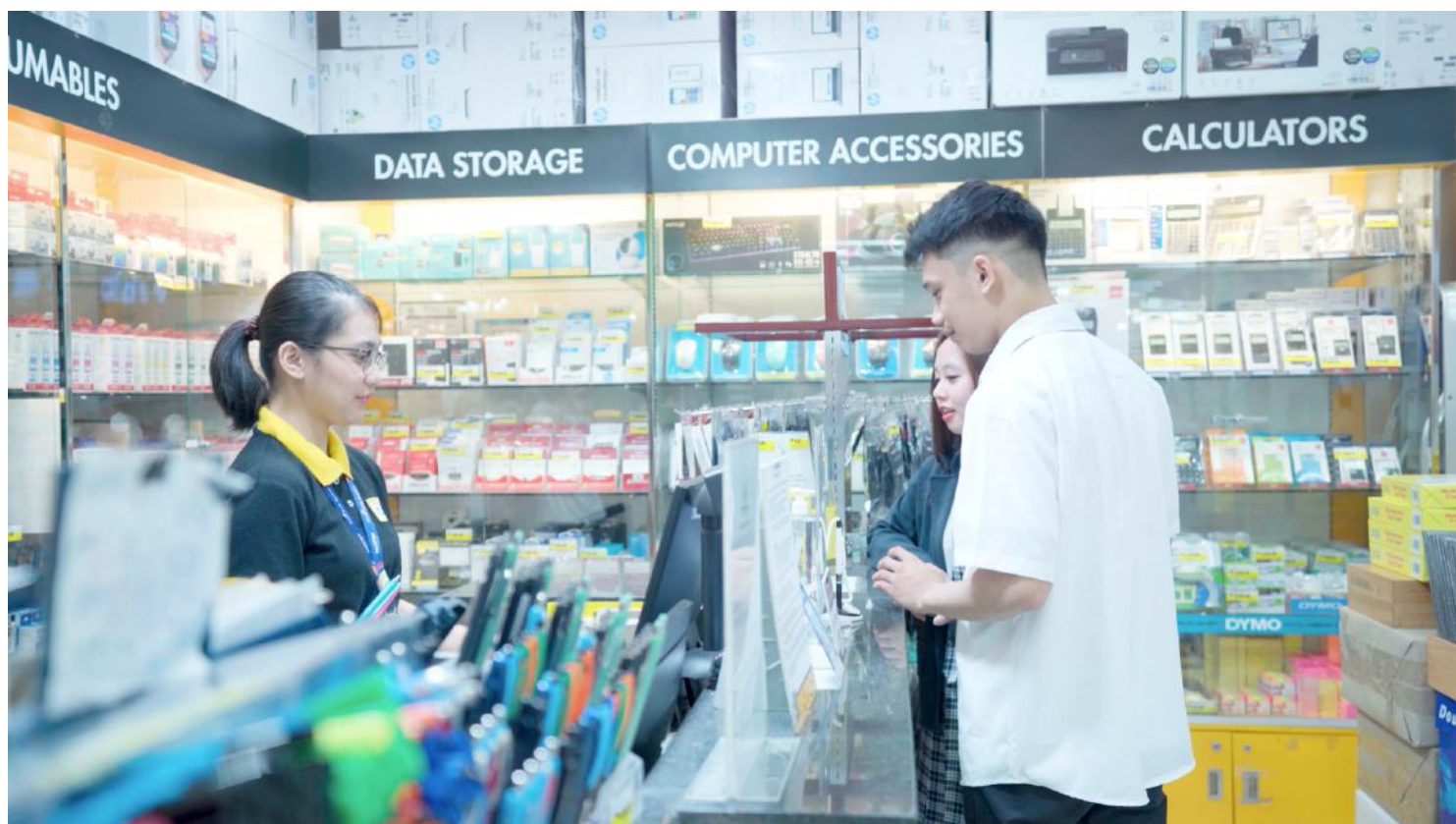
Higher power and utility costs led to a 7.64% decrease in the overall real estate segment's net

income however, which amounted to PHP 845 million for the year.

The real estate group continued to expand its real estate assets portfolio through acquisitions of additional land banking assets for future development. This is on top of the ongoing development of at least two commercial assets to be completed in 2023.



Specialty Retail



Under the specialty retail business segment, Office Warehouse, Inc.'s revenues grew by 15% percent to PHP 1.79 billion as it continued to see recovery in its business operations. Likewise, net income improved by 38% to PHP 69 million in 2022.

Store sales registered a growth of 13.8% driven by a strong customer traffic count and recovering from a negative growth of 9.70% in 2021.

Office Warehouse has consistently surpassed historical sales with an annual average growth of 16%. It has managed to remain income positive in the midst of the global pandemic, opening two new stores (Market Market Taguig and SM Novaliches), and seven Puregold concession outlets around Metro Manila during the period.

The gradual resumption of onsite work and face-to-face classes of schools, gave Office Warehouse a steady foothold in its niche market. The specialty retail group also benefited from its back-to-school season promos which led to robust sales growth beginning in July.



Aside from these, significant sales were also generated from B2B and government sales biddings, and through its online shopping site which is mirrored on social media.

Higher Cash Dividends

Cosco Capital has paid yearly dividends to its shareholders without interruption since 2014. Following the strong recovery of our core businesses, the company declared even higher cash dividends in 2022.

The company declared cash dividends of PHP 0.19 per share to shareholders as of record date January 18, 2023. The cash dividends were paid on January 28, 2023. The amount represents a 58% year-on-year increase in annual cash dividends declared compared to the previous year.

Looking Ahead

Cosco Capital sees the trend to continue exhibiting strong growth and profitability in spite of constant economic and business challenges.

As we look ahead to 2023 and beyond, we are confident in our position and capabilities to

capitalize on the many opportunities that abound across industries. We remain committed to maximizing on our strengths and achieving our full potential as we continue to set the pace for the industry and contribute to national economic development.

Signifying this commitment to growth, COSCO plans to double its CAPEX budget to PHP 12.2 billion in 2023 from PHP 6.1 billion in 2022. A bulk of this CAPEX will be allotted for expansion of the Puregold group's store network, while a portion of the expenditures will be assigned to the Real Estate Group and The Office Warehouse.

In closing, we wish to thank all our stakeholders for your support and look forward to our continued partnership as we strive to reach greater heights and create a sustainable future for all Filipinos.