

Masterclass: Horizontal Analysis & The Strategic Consultant's Mindset

Case Study: Jollibee Foods Corporation (JFC) FY 2024 Performance

You are not here to memorize rules. Today, you are a junior consultant at a top-tier advisory firm — and our client is one of the largest food service giants in the world.

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Learning Outcomes

By the end of this masterclass, you will be able to:

01

Apply Horizontal Analysis

Compute absolute and percentage changes in financial statements

02

Read Trend Lines

Interpret revenue, expense, and profit trends to assess operational momentum

03

Separate M&A Distortions

Isolate acquisition effects from organic growth in consolidated data

04

Analyze Balance Sheet Shifts

Evaluate changes in assets, liabilities, and capital structure

05

Deliver Strategic Recommendations

Communicate findings as a consultant from data to actionable insight

The Analyst vs. The Bookkeeper

The Bookkeeper / Compliance Mindset

Recording history.
Ensuring debits equal credits. Ticking and tying.
Answers the question:
"What happened?"

The Strategic Analyst Mindset

Evaluating historical trajectories to forecast the future. Identifying anomalies. Driving operational change.
Answers: **"Why did it happen — and where are we going?"**

In C-AE24, we don't just calculate numbers. We optimize them to make high-stakes corporate decisions.



Introduction to Horizontal Analysis



What is Horizontal Analysis?

Also called **Trend Analysis** — it evaluates financial data **side-to-side across consecutive periods**. Think of it as watching a movie of a company's health, not just a snapshot.

Direction

Side-to-side across historical time periods

Core Objective

Spot changes, trends, growth rates & structural shifts

The Mechanics – Two Simple Formulas

The math is junior-high level. Mastery is expected.

Formula 1: Absolute Change (Peso Amount)

$$\text{Peso Change} = \text{Current Year Amount} - \text{Base Year Amount}$$

Formula 2: Relative Change (Percentage)

$$\% \text{ Change} = \left(\frac{\text{Peso Change}}{\text{Base Year Amount}} \right) \times 100\%$$

 **Critical Rule:** The Base Year is ALWAYS the older (earliest) year in your comparative set. Dividing by the current year renders your entire analysis invalid.

Why Percentages Matter More Than Pesos

Scenario A — Local Bakery

Revenue: ₱1M →
₱2M

Peso Change: +
₱1,000,000

Percentage
Change: **+100%**

Scenario B — JFC Giant

Revenue: ₱232.4B
→ ₱254.9B

Peso Change: +
₱22.5 Billion

Percentage
Change: **+9.7%**

The Consultant's Take

Absolute pesos tell you the size of the beast.

Percentages tell you how fast it's running —
enabling benchmarking across competitors of
vastly different scales.

 Percentages reveal **velocity, efficiency, and performance clarity** that raw peso amounts cannot.

Meet the Client — Jollibee Foods Corporation (JFC)

FY 2024

9,766 Stores Globally

A massive **+41.8%** footprint expansion in a single year

Key Philippine Brands

Jollibee (1,279 stores), Chowking, Mang Inasal

Key Global Brands

CBTL, Highlands Coffee, and newly acquired **Compose Coffee (Korea)**

Historic Milestone

Net Profit breached the **₱10-Billion mark** for the first time in JFC history

📌 JFC = Jollibee Foods Corporation (the Philippines' largest fast food company and one of Asia's biggest restaurant groups); CBTL = The Coffee Bean & Tea Leaf (a premium international coffee chain owned by JFC).

Setting Up the JFC Income Statement Dashboard

Line up the oldest year on the left, newest on the right — then calculate the change columns.

Metric (Millions PHP)	FY 2023 (Base Year)	FY 2024 (Current Year)	% Change
Gross Sales	₱232,474.4	₱254,957.7	+9.67%
System-Wide Sales (SWS)	₱345,400.0	₱390,300.0	+13.0%
Total Consolidated Revenues	Base Period	Current Period	+10.6%

📌 System-Wide Sales includes franchised stores — a broader operational picture than consolidated revenue alone.

📌 PHP = Philippine Peso; FY = Fiscal Year; SWS = System-Wide Sales.

Horizontal Analysis – JFC Top-Line Performance

Gross Sales Calculation (Millions PHP)

2023 (Base Year)	₱232,474.41
2024 (Current Year)	₱254,957.69
Peso Change	+₱22,483.28M
Percentage Change	+9.67%

$$\% \text{ Change} = \frac{22,483.28}{232,474.41} \times 100 = +9.67\%$$

What Does This Tell Us?

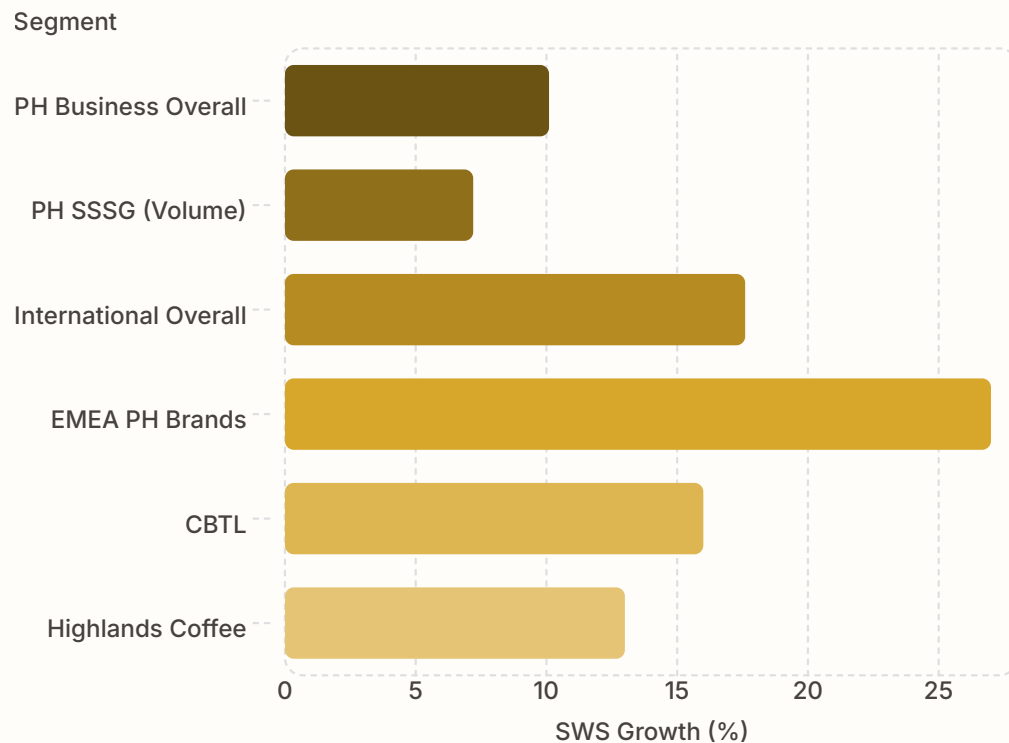
For a dominant market leader, a **near-double-digit top-line growth rate** signals phenomenal operational momentum.

When all consolidated revenues are factored in, the full-year growth rate reaches **+10.6%** — a compelling proof of commercial scale.

✔ Revenue at this scale growing double digits = a company firing on all cylinders.

Digging Deeper – What Drove the Top-Line Growth?

A 10.6% growth headline is only the beginning. Break it down by source.



Quality of Growth Matters

Philippine SSSG of **+7.5%** was almost entirely **volume-driven (7.2%)**, not price increases (0.3%). This means more customers — not just higher prices.

International growth exploded at **+17.6%**, anchored by EMEA and strategic beverage brands.

✔ Volume-led growth = real demand acceleration, not inflation-masked performance.

📄 **SWS** = System-Wide Sales; **SSSG** = Same-Store Sales Growth; **PH** = Philippines; **EMEA** = Europe, Middle East & Africa; **CBTL** = The Coffee Bean & Tea Leaf.

The Golden Concept – The M&A Distortion Factor

Compose Coffee Acquisition — August 2024

JFC acquired South Korea's **Compose Coffee**, instantly adding **2,629 stores** to the global network and contributing **7.9%** to international SWS growth.



⚠ **The Analyst's Warning:** M&A transactions create sudden jumps in horizontal trends. You must isolate **organic growth** from **inorganic acquisition growth**. Failing to separate the two produces a *misleading* picture of core operations.

The Golden Concept – The M&A Distortion Factor

Compose Coffee Acquisition — August 2024

The real test: Are profits growing *faster* than revenues?

📌 **bps** means **basis points**: 1 bps = 0.01%, so 100 bps = 1%.

+60bps

Gross Profit Margin

Expanded from 18.6% (2023) to
19.2% (2024)

+40bps

Operating Income
Margin

Scaled from 5.9% (2023) to 6.3%
(2024)

+17.2%

Operating Profit Growth

Rose to ₱16.9 Billion — outpacing
revenue growth of +10.6%



✅ When profits grow **faster** than sales, it proves **operating discipline and positive operating leverage**. JFC is scaling overhead beautifully.

Let's Spot the Structural Anomaly!

A +10.6% consolidated headline hides critical regional divergence. Horizontal analysis reveals what aggregates conceal.

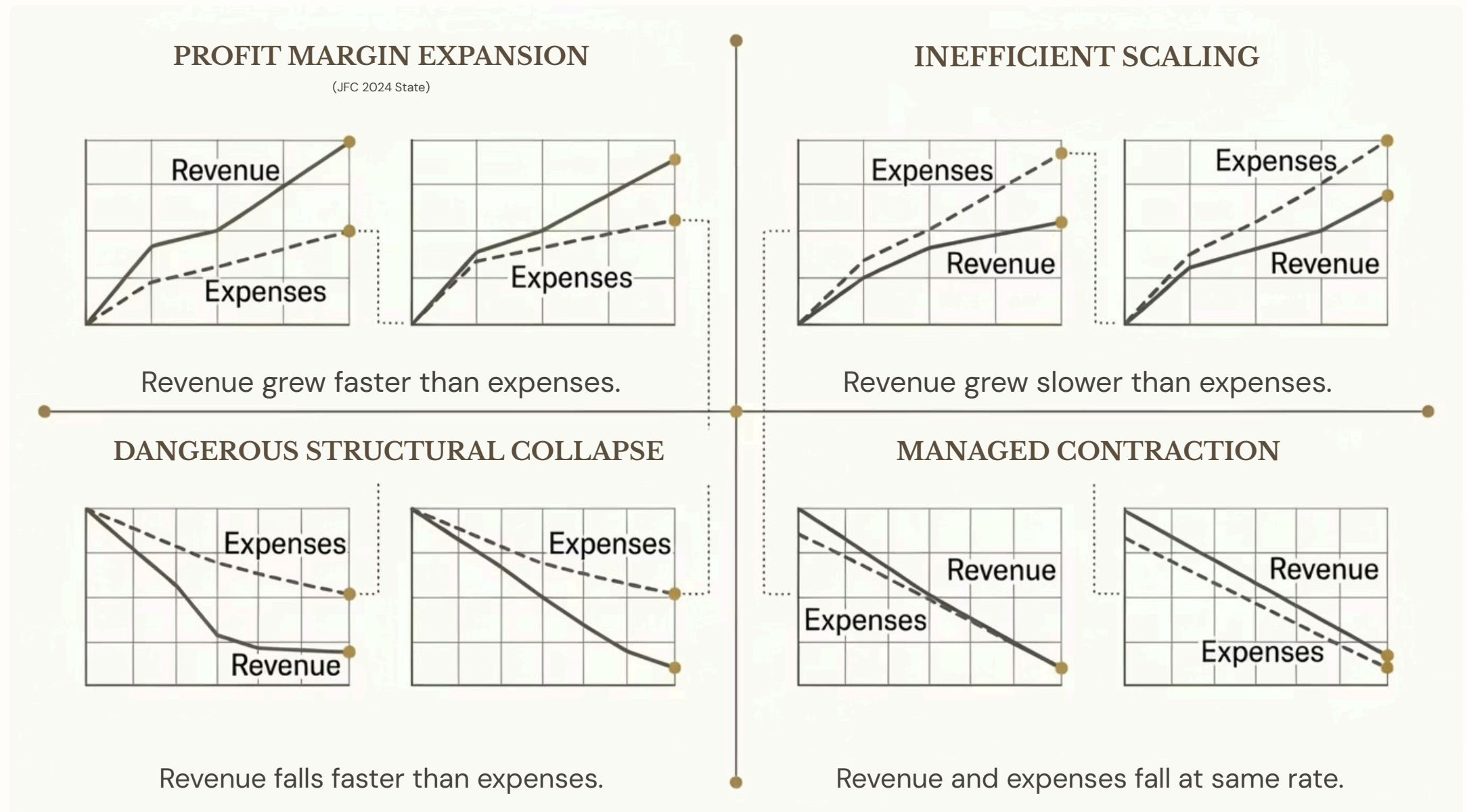
Region / Brand	2024 SSSG	Signal
Europe / Middle East / Asia	+12.8%	✔ Booming
CBTL	+7.1%	✔ Steady
China Operations	-11.2%	🚨 Critical Drop
Highlands Coffee	-3.7%	⚠ Decline

This is where a strategic analyst **earns their salary** — finding the leak before it sinks the quarter.

 SSSG = Same-Store Sales Growth (revenue growth from stores open for at least one full year, excluding new store openings).

Mid-Way Checkpoint – The Horizontal Analysis Matrix

Always contrast the Revenue trend line against the Expense trend line. Refer to the following:

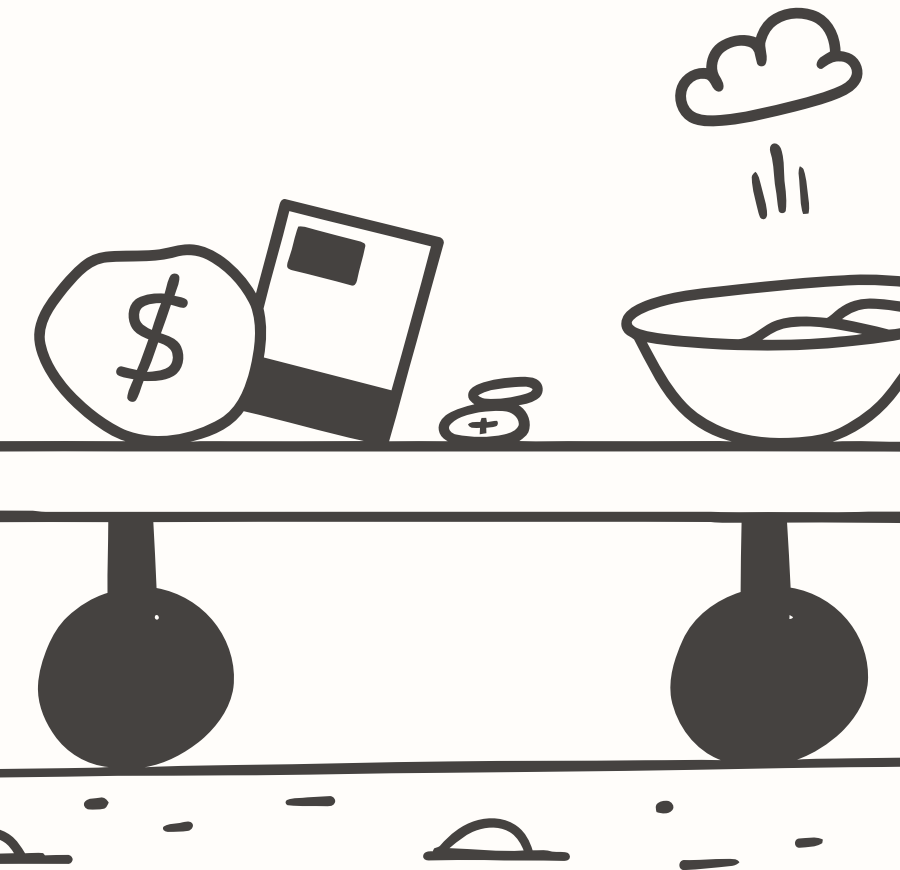


- ✔ **JFC in 2024 = Quadrant 1.** Revenues climbing, expenses climbing slower → margin expansion. If your client is in Quadrant 2, recommend aggressive restructuring immediately.

Pivot to the Balance Sheet

Tracking Structural Strength Over Time

The income statement shows **performance velocity**. The balance sheet tells you about **structural survival and resource backing**.



Asset Accumulation

Is the company building productive infrastructure or just bloating the books?

Capital Structure Shifts

Is growth funded by debt or by retained earnings?

Liquidity Sustainability

Can short-term obligations be met as the company aggressively expands?

Analyzing Asset Trajectories

Key Asset Lines to Track

- Cash & Cash Equivalents
Is liquidity keeping pace with expansion?
- Property, Plant & Equipment (PPE)
Expected to surge with 9,766-store network
- Right-of-Use Assets
Lease obligations from 9,700+ store locations

The Analyst's Critical Question

Is asset growth **driving equivalent revenue growth**?

If total assets grow by 25% but revenues grow only 5%, the **Asset Turnover Ratio is collapsing** — signaling investment in unproductive infrastructure.



Asset growth must be justified by proportionate revenue returns. Always cross-check both trend lines together.

Working Capital & Liquidity Trajectories

The Liquidity Risk in Fast Expansion

In recent reporting cycles, JFC's Current Liabilities trended up to **₱67.76 Billion**.

As strategic analysts, you must cross-reference this trend line against Cash and Current Asset growth simultaneously.



Risk: Fast global rollout can trigger a **liquidity crunch** if cash is frozen in non-current store build-outs while short-term obligations climb.

JFC manages this through massive credit facilities and strong daily cash generation from store networks — but it's a trend line to **monitor constantly**.

Capital Structure Trajectories – Debt vs. Equity

How did JFC fund the Compose Coffee acquisition? The balance sheet holds the answer.

The Horizontal Leverage Analysis

Track **Total Liabilities growth** vs. **Total Equity growth** across 2023 → 2024.

- If **debt grew faster than equity** → financial leverage increased → greater vulnerability to interest rate hikes
- If **retained earnings absorbed the acquisition cost** → the company self-funded growth → stronger structural position

The Strategic Equation

Bank Debt Route

Liabilities ↑ faster than Equity → Leverage risk rises

Retained Earnings Route

Equity ↑ pace → Self-funded growth → Lower risk profile

 BSA auditors and BSAIS analysts: always read the **Notes to Financial Statements** to confirm the funding mechanism.

 BSA = Bachelor of Science in Accountancy; BSAIS = Bachelor of Science in Accounting Information Systems.

The 2028 Strategic Ambition

BASE YEAR: 2023 → TARGET YEAR: 2028

1

Triple Net Income

Triple net income attributable to equity holders from the 2023 base

2

ROIC of 20%

Grow Return on Invested Capital to 20% — a world-class efficiency benchmark

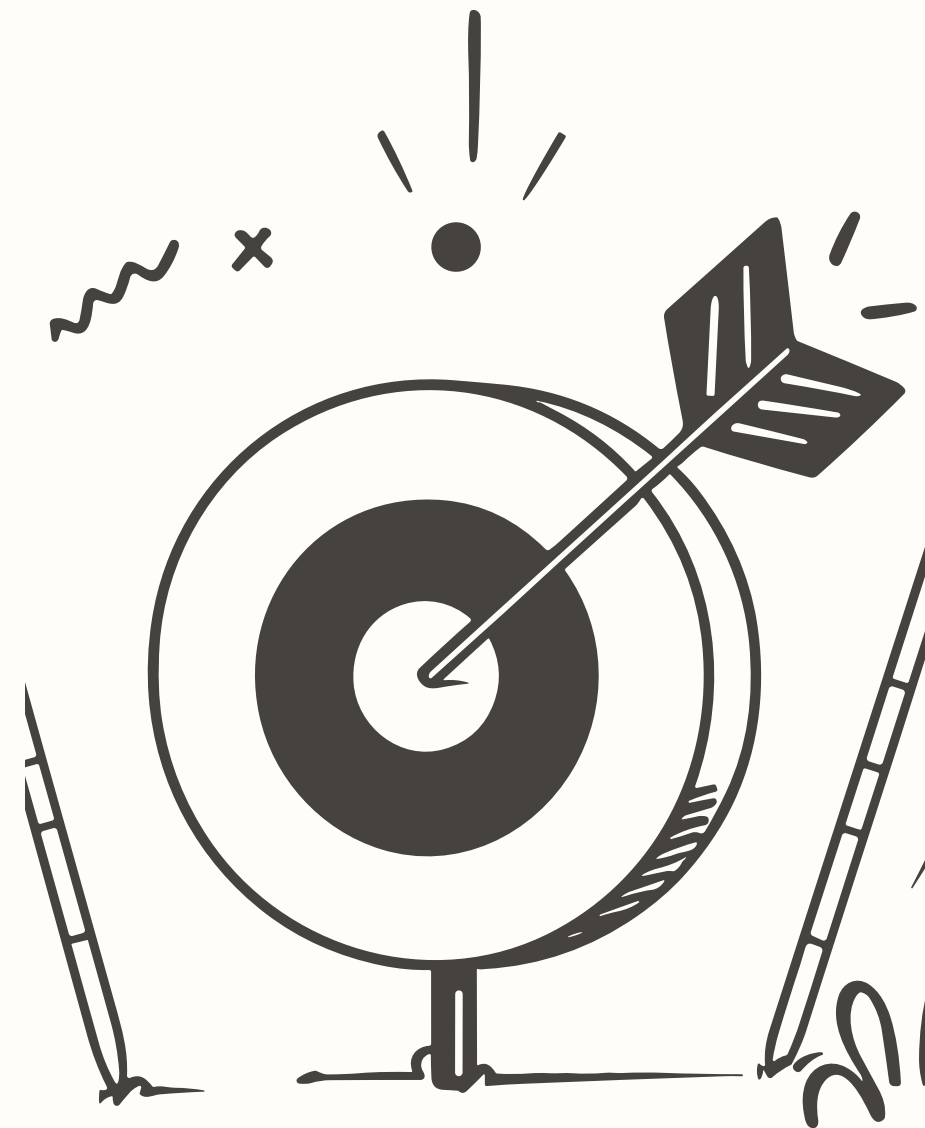
3

Asset-Light Model

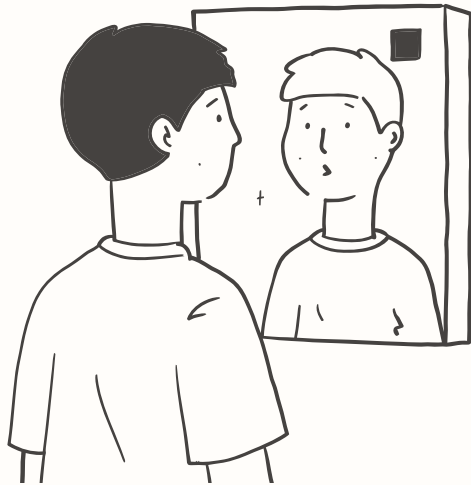
Maximize global franchising to reduce capital intensity and shift ownership risk

Map 2024's +10.6% revenue trajectory and ₱10B profit milestone against these targets — is JFC on pace?

□ ROIC = Return on Invested Capital, a profitability ratio showing how efficiently a company generates profit from total invested capital (debt + equity).



Pitfalls & Limitations of Horizontal Analysis



1. Inflation Distortions

Raw % growth may reflect price hikes, not real volume growth. JFC isolated volume at 7.2% to beat this trap.

2. Changing Accounting Policies

PFRS standard changes alter how values are computed — making period-to-period comparisons non-apples-to-apples.

3. Base Year Manipulation

Choosing an unusually weak or strong base year artificially skews all future percentage trends.



Always read the **Notes to the Financial Statements** before drawing conclusions.



PFRS = Philippine Financial Reporting Standards, the accounting rules used in the Philippines and aligned with IFRS.

The Strategic Consultant's Toolkit

Numbers without context are just ink on paper. Horizontal calculations must be synthesized with the real world.



Internal Context

Store operations, menu innovations (Chickenjoy campaigns), brand portfolio management, and franchise strategy



Macroeconomic Context

Inflation rates, consumer sentiment, and global commodity prices for chicken and agricultural inputs



Supply Chain & FX

Global supply chain disruptions and foreign exchange fluctuations affecting international segment margins

Practical Workshop – Real-World Case Briefing

CONSULTANCY TEAM MISSION

- 1** Run the Full Horizontal Matrix
Complete 3-year horizontal calculations across JFC's Income Statement *and* Balance Sheet
- 2** Identify the Fastest-Growing Expense Line
Isolate *why* that cost line is accelerating — organic operations or structural M&A change?
- 3** Present a Strategic Solution
Deliver a viable operational recommendation to reverse the trend and protect JFC's profit margins



The Consultant's Pitch – Communication Framework

Do not read off data points. Drive from data to action in three precise steps.

No fluff — just high-impact corporate insights. This is how executive leadership communicates, and how you will speak in this course.

Summary & Key Takeaways

→ Track Momentum, Not Just Snapshots

Horizontal analysis reveals corporate trajectory and operational momentum across time — not just where a company stands today

→ Base Year is Always the Oldest Period

Non-negotiable rule — violating it invalidates the entire analysis in any professional or academic setting

→ Isolate M&A Distortions

Separate organic growth from inorganic acquisition growth — Compose Coffee's 2,629 stores must be accounted for separately

→ Context Completes the Analysis

Cross-examine financial trends with real-world operational, macroeconomic, and strategic realities



Q&A & Next Steps

Q&A

Open floor for questions, debates, and strategic discussions on JFC's global financial trajectory.

Course Details

Course Code: C-AE24 Strategic Business Analysis

Next Session

Vertical Analysis & Common-Size Financial Modeling

Learn to scale financial models down to a comparable, normalized structure.

Thank you, Analysts. Go conquer the data. 