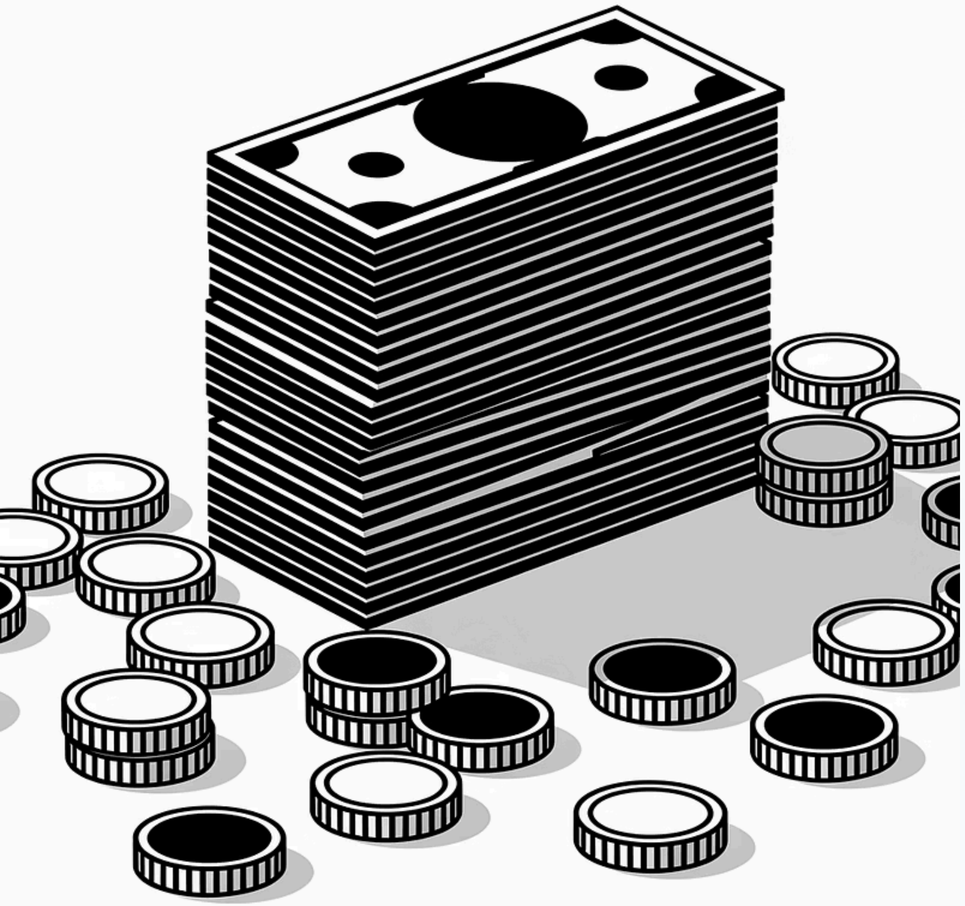


Cash Flow Analysis

C-AE24 STRATEGIC BUSINESS ANALYSIS: MODULE 8

Profit is an **opinion**. Cash is a **fact.** Using Jollibee Foods Corporation's 2024–2025 financials and the new IFRS 18 standards, we'll decode how one of the world's most successful restaurant groups manages liquidity and funds global expansion.

Rosalinda E. Perez, CPA, MBA, LPT

Our Strategic Roadmap

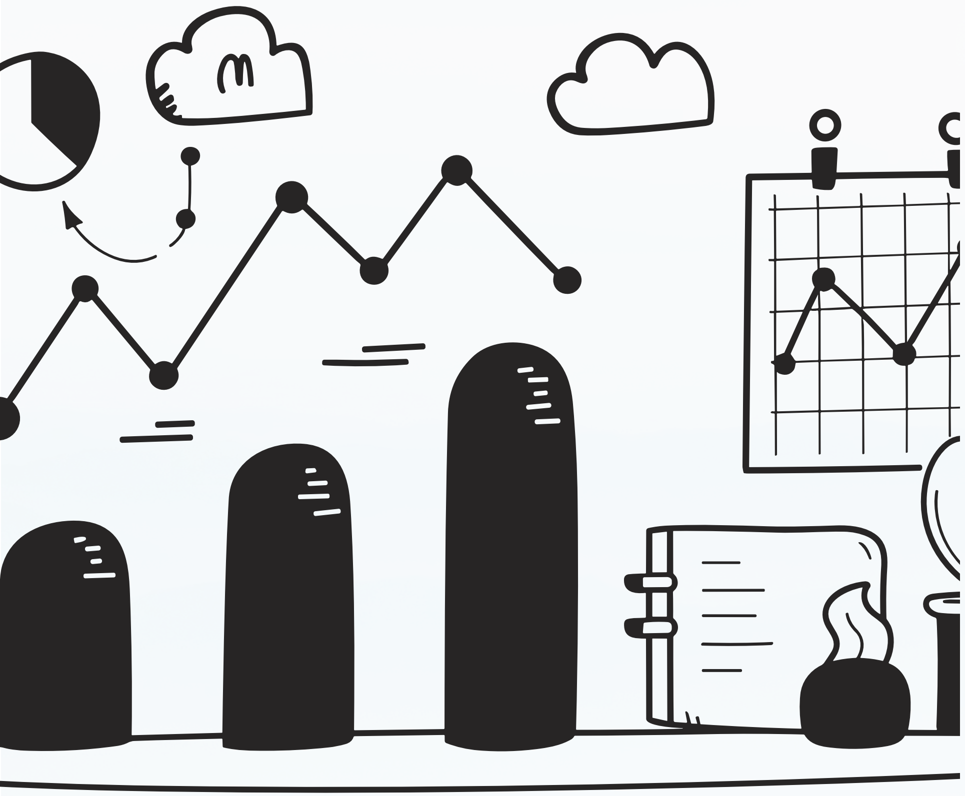
Part 1: Deconstructing the Recipe

Master IFRS 18 classifications — Operating, Investing, and Financing — and the Indirect Method that bridges profit to actual cash.

Part 2: Stories Behind the Spreadsheets

Diagnose earnings quality, calculate Free Cash Flow, and evaluate whether Jollibee can open 1,000+ stores while paying dividends.

These are the skills senior corporate leaders use every day to decide the future of multi-billion dollar enterprises.



The Three Pillars: Classifying Corporate Life

🍗 Operating

The heartbeat — cash from Chickenjoy sales and franchise royalties, minus chicken, logistics, and staff costs.

🏗️ Investing

Spending to grow — kitchen equipment, new store sites, and acquisitions like Coffee Bean & Tea Leaf.

💰 Financing

The fuel — bank loans, bonds issued, and repayments to lenders and shareholders.

IFRS 18 KEY SHIFT

Anchoring to Operating Profit

IFRS 18 mandates reconciliation starting from **Operating Profit** — not Net Income. Net Income is "noisy," distorted by interest rates and taxes. Operating Profit isolates restaurant-level performance *before* finance costs enter the picture, creating a clean bridge from the Income Statement to the Statement of Cash Flows.

> This gives analysts the clearest possible view of whether the core business model is healthy.

The Indirect Method: Reconciling Reality

Operating Profit

Start with reported net operating profit.

Add Non-cash Items

Restore depreciation and other non-cash charges.

Working Capital Adjustments

Adjust for inventory, receivables, and payables.

Deduct Cash Taxes Paid

Subtract actual income taxes paid in cash.

This method strips away accounting "opinions" to reveal cold, hard cash — explaining why a company can be profitable on paper yet cash-poor in the bank, or vice versa.

The End of Choice: IFRS 18 Transparency

Now Strictly Financing

- Interest Paid — cost of capital
- Dividends Paid — return to shareholders

Now Strictly Investing

- Interest Received — return on investment
- Dividends Received — return on investment

Under old IAS 7, companies could "window dress" operating cash by misclassifying interest. **Those days are over.** Jollibee's true operational performance is now fully isolated from its debt strategy.

Jollibee's Story: Two Eras of Expansion

2024 — Profit Breakthrough Era

Crossed **Php 10 billion** Net Income. Strategy: discipline — menu optimization, portfolio pruning, maximizing restaurant-level margins.

2025 — Aggressive Global Scaling Era

Opened an unprecedented **1,126 new stores** in a single year. Operating Income hit a record **Php 20.1 billion**. Cash aggressively deployed into Investing Activities.

The Statement of Cash Flows reveals the exact moment Jollibee shifted from *saving and optimizing* to *global conquest* — a CEO's vision made visible in numbers.

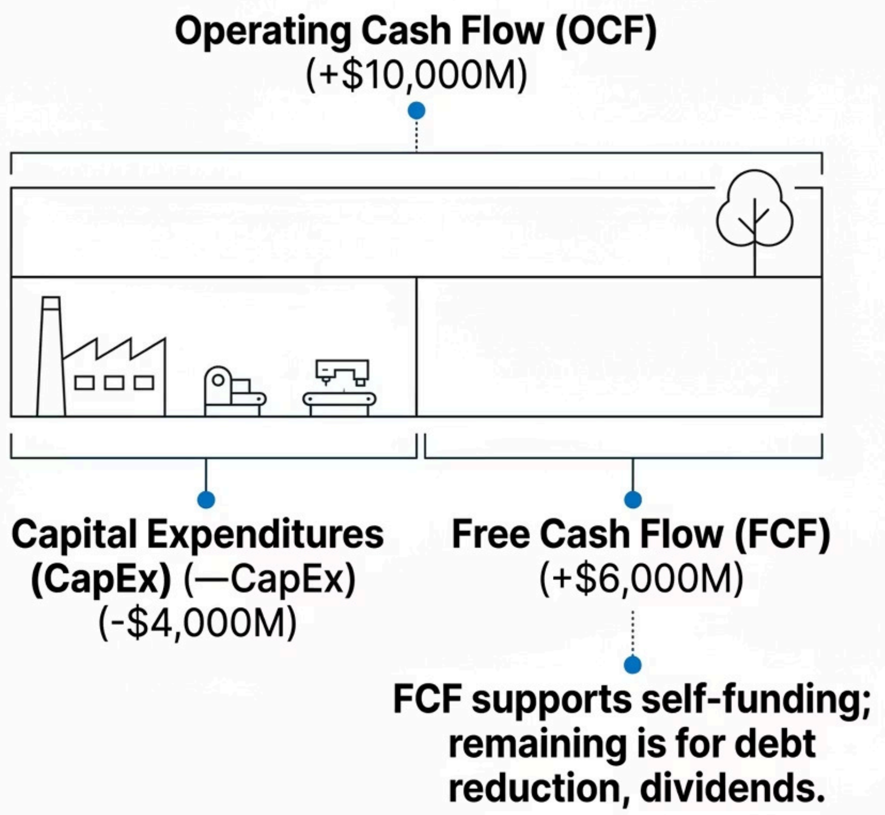
Quality of Earnings & Free Cash Flow

Quality of Earnings: Operating cash flow should grow in step with reported profit. A mismatch signals uncollected fees or inventory problems.

The Executive Formula:

> **Free Cash Flow = Operating Cash Flow – CapEx**

FCF reveals whether mature stores generate enough "spare change" to fund 1,126 new locations without dangerous debt. IFRS 18's clean interest separation ensures an uncompromised FCF view.



Practical Challenge: The European Hub Scenario

Jollibee opens a European hub: **Php 3B bank loan**, **Php 150M interest paid**, **Php 2B kitchen equipment**. Where does each item go under IFRS 18?

Financing Inflow

Php 3B loan — new capital entering the business.

Financing Outflow

Php 150M interest — cannot be hidden in Operating under IFRS 18.

Investing Outflow

Php 2B equipment — long-term asset acquisition.

Operating: Zero Impact

Operating section only moves once kitchens open and generate organic profit.

Cash is the Ultimate Reality Check

IFRS 18 strips away financial engineering, leaving a transparent view of corporate health. Jollibee's journey — from **margin discipline in 2024** to **global conquest in 2025** — shows how cash flow reflects a CEO's vision.

Isolate the Engine

Assess operating efficiency free from financing noise.

Calculate Clean FCF

Determine true capacity for self-funded expansion.

Allocate Capital Wisely

Distinguish self-funding dreams from debt-dependent risk.