

# COVER SHEET

SEC Registration Number

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COMPANY NAME

C	O	N	C	E	P	C	I	O	N		I	N	D	U	S	T	R	I	A	L							
C	O	R	P	O	R	A	T	I	O	N																	

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

3	0	8		S	E	N	.		G	I	L		P	U	Y	A	T		A	V	E	N	U	E				
M	A	K	A	T	I		C	I	T	Y																		

Form Type

1	7	-	Q
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Applicable

Department requiring the report

C	G	F	D
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Secondary License Type, if

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COMPANY

Company's Email Address

sec\_cic@cic.ph

Company's Telephone Number/s

87721819

Mobile Number

+639992287662

No. of Stockholders

27

Annual Meeting (Month/Day)

Third Wed. of July

Fiscal Year (Month/Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Omar C. Taccad

Email Address

omar.taccad@cic.ph

Telephone Number/s

87721819

Mobile Number

+639189146465

CONTACT PERSON'S ADDRESS

Km. 20 East Service Road South Super Highway, Alabang, Muntinlupa City

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2024
2. SEC Identification Number **A1997-13456**
3. BIR Tax Identification No. **005-029-401-000**
4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**
5. **Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6.  Use Only)  
Industry Classification Code:
7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines** **1209**  
Address of principal office Postal Code
8. **+632 7721819**  
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 SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	<b>396,612,491</b> (as of March 31, 2024)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ X ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange** **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);

Yes [ X ] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ X ] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P1.3 billion. The price used for this computation is the closing price as of March 31, 2024 is P12.08.

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited consolidated financial statements of Concepcion Industrial Corporation (the “Company” or “CIC”) and its subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COPI”), Concepcion Business Services, Inc. (“CBSI”), Cortex Technologies Corporation (“CTC”), Alstra Incorporated (“Alstra”), “Teko Solutions Asia Inc. (“Teko”) and “Tenex Services Inc.” (“Tenex”) (collectively, the “Group”) for the periods ended March 31, 2024 and 2023, and the audited consolidated financial statements of the group as at December 31, 2023, are attached to this 17-Q report, comparing the following:

- 1.1 Consolidated Statements of Financial Position as at March 31, 2024 and December 31, 2023 (Annex A)
- 1.2 Consolidated Statements of Total Comprehensive Income for the periods ended March 31, 2024 and 2023 (Annex B)
- 1.3 Consolidated Statements of Changes in Equity for the periods ended March 31, 2024 and 2023 (Annex C)
- 1.4 Consolidated Statements of Cash Flows for the periods ended March 31, 2024 and 2023 (Annex D)
- 1.5 Notes to Consolidated Financial Statements as at March 31, 2024 and December 31, 2023 and for the periods ended March 31, 2024 and 2023 (Annex E)

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Quarters and Periods Ended March 31, 2024 (Annex F)]

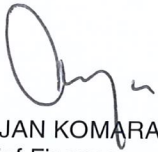
## PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the 1st quarter (Q1) of 2024:

Date of Report	Items Reported
January 29, 2024	Notice of Investors’ Briefing
January 31, 2024	CIC Press Release on Business Updates (Fourth Quarter of 2023 and Full Year 2023)
March 7, 2024	Buy-Back Transaction
March 8, 2024	Buy-Back Transaction
March 14, 2024	Retirement of Officer – Maria Victoria A. Betita, Chief Strategy and Transformation Officer
March 26, 2024	Approval of 2023 Audited Financial Statements and Declaration of Cash Dividend

## 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.

A handwritten signature in black ink, appearing to read 'Rajan Komarasu', with a large initial 'R' and a stylized 'K'.

RAJAN KOMARASU  
Chief Finance and Operating Officer

April 24, 2024

**ANNEX A****Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Financial Position  
As at March 31, 2024 and December 31, 2023  
(All amounts in thousand Philippine Peso)

	Notes	2024	2023
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	2,095,864	2,372,614
Trade and other receivables, net	3	4,416,059	3,745,305
Contract assets		1,003,943	849,419
Inventories, net	4	3,409,132	2,489,373
Prepayments and other current assets		216,624	241,591
Total current assets		11,141,622	9,698,302
<b>Non-current assets</b>			
Property and equipment, net		462,076	435,257
Investment property		40,255	40,255
Investment in associates	5	127,753	98,891
Intangible assets, net	6	115,925	118,980
Goodwill	6	806,682	806,682
Right-of-use assets, net		309,310	341,101
Deferred income tax assets, net		651,015	620,497
Other non-current assets		88,177	82,935
Total non-current assets		2,601,193	2,544,598
<b>Total assets</b>		<b>13,742,815</b>	<b>12,242,900</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	7	6,042,247	4,107,377
Short-term borrowings	8	4,600	4,600
Lease liabilities		135,088	191,304
Provision for warranty		85,368	80,775
Other provisions		112,472	104,175
Income tax payable		2,219	-
Total current liabilities		6,381,994	4,488,231
<b>Non-current liabilities</b>			
Retirement benefit obligation	12	661,621	641,245
Lease liabilities		203,053	181,282
Provision for warranty		3,401	2,874
Total non-current liabilities		868,075	825,401
Total liabilities		7,250,069	5,313,632
<b>Equity</b>			
Attributable to owners of the Parent Company			
Share capital	13	407,264	407,264
Share premium	13	993,243	993,243
Treasury shares	13	(257,058)	(241,464)
Retained earnings		3,776,272	3,949,873
Other comprehensive loss		(69,814)	(69,814)
		4,849,907	5,039,102
Non-controlling interest		1,642,839	1,890,166
Total equity		6,492,746	6,929,268
<b>Total liabilities and equity</b>		<b>13,742,815</b>	<b>12,242,900</b>

The notes on pages 1 to 9 are integral part of these consolidated financial statements.

**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Total Comprehensive Income  
For the periods ended March 31, 2024 and 2023  
(All amounts in thousand Philippine Peso, except earnings per share)

	<b>Notes</b>	<b>2024</b>	<b>2023</b>
Net sale of goods		3,571,976	2,656,137
Sale of services		259,763	225,582
<b>Net sales</b>	9	3,831,739	2,881,719
Cost of sales and services	10	(2,518,236)	(1,879,198)
<b>Gross profit</b>		1,313,503	1,002,521
Operating expenses	11	(1,119,845)	(899,942)
Other operating income (loss), net		25,952	17,193
<b>Operating income</b>		219,610	119,772
Interest expense		(2,847)	(5,271)
<b>Income before share in net income (loss) of associates and income tax</b>		216,763	114,501
Share in net income (loss) of associates	5	28,862	12,484
<b>Income before income tax</b>		245,625	126,985
Income tax expense		(59,924)	(33,761)
<b>Net income for the year</b>		185,701	93,224
<b>Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss</b>			
Remeasurement gain (loss) on retirement benefits, net of tax		-	-
<b>Total comprehensive income for the year</b>		185,701	93,224
<b>Net income (loss) attributable to:</b>			
Owners of the Parent Company		104,028	53,655
Non-controlling interest		81,673	39,569
		185,701	93,224
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		104,028	53,655
Non-controlling interest		81,673	39,569
		185,701	93,224
Earnings (loss) per share - basic and diluted	14	0.26	0.13

The notes on pages 1 to 9 are integral part of these consolidated financial statements.

**ANNEX C****Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Changes in Equity  
For the periods ended March 31, 2024 and 2023  
(All amount in thousand Philippine Peso)

Notes	Attributable to owners of the Parent Company					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Retained earnings	Other comprehensive income (loss)		
<b>Notes</b>	13	13	13				
<b>Balances as at January 1, 2024</b>	407,264	993,243	(241,464)	3,949,873	(69,814)	1,890,166	6,929,268
<b>Comprehensive income</b>							
Net income for the year	-	-	-	104,028	-	81,673	185,701
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	104,028	-	81,673	185,701
<b>Transactions with owners</b>							
Cash dividends declared	-	-	-	(277,629)	-	(329,000)	(606,629)
Treasury shares	-	-	(15,594)	-	-	-	(15,594)
Total transactions with owners	-	-	(15,594)	(277,629)	-	(329,000)	(622,223)
<b>Balances as at March 31, 2024</b>	407,264	993,243	(257,058)	3,776,272	(69,814)	1,642,839	6,492,746
<b>Balances as at January 1, 2023</b>	407,264	993,243	(241,464)	3,765,573	(51,816)	1,825,659	6,698,459
<b>Comprehensive income</b>							
Net income for the period	-	-	-	53,655	-	39,569	93,224
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	53,655	-	39,569	93,224
<b>Transactions with owners</b>							
Cash dividends declared	-	-	-	(198,956)	-	(216,100)	(415,056)
Impact of Share Transfer on NCI	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(198,956)	-	(216,100)	(415,056)
<b>Balances as at March 31, 2023</b>	407,264	993,243	(241,464)	3,620,272	(51,816)	1,649,129	6,376,628

The notes on pages 1 to 9 are integral part of these consolidated financial statements.

**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Cash Flows  
For the periods ended March 31, 2024 and 2023  
(All amounts in thousand Philippine Peso)

	2024	2023
<b>Cash flows from operating activities</b>		
Income before income tax	245,624	126,985
Adjustments for:		
Provisions for (reversals of):		
Warranty cost	36,331	36,933
Contingencies	36,314	(16,040)
Inventory obsolescence	17,621	3,754
Commission	15,155	15,403
Impairment of receivables	9,340	1,629
Amortization of right-of-use assets	45,346	38,640
Depreciation and amortization of property and equipment	36,270	46,078
Retirement benefit expense	29,189	15,002
Interest expense	3,310	5,534
Amortization of intangible assets	3,026	4,845
Unrealized foreign exchange losses (gains)	2,065	(3,196)
Loss (Gain) on disposal of property and equipment	(33)	(49)
Gain on sale of investments, net of tax	-	(9)
Interest income on bank deposits, short-term placements	(11,652)	(5,837)
Share in net loss (income) of associates	(28,862)	(12,484)
Operating income before working capital changes	439,045	257,188
Changes in:		
Trade (net of provision)* and other receivables and Contract Assets	(311,786)	687,742
Inventories	(957,090)	(1,054,886)
Prepayments and other current assets	17,712	(208,595)
Other non-current assets	4,448	(5,009)
Trade payables and other liabilities	880,052	517,483
Cash generated from operations	72,381	193,923
Interest received on bank deposits	2,805	2,183
Income tax paid	(12)	-
Payments of other provisions	(5,201)	(13,055)
Retirement contributions/ benefits directly paid by the Group	(2,500)	(6,090)
Payments of provision for warranty cost	(30,356)	(34,837)
Net cash provided by (used in) operating activities	37,117	142,124
<b>Cash flows from investing activities</b>		
Interest received from short-term placements	7,983	1,451
Proceeds from disposal of property and equipment	343	131
Additions to property and equipment	(66,456)	(31,227)
Net cash used in investing activities	(58,129)	(29,645)
<b>Cash flows from financing activities</b>		
Payment of short-term borrowings	-	(109,000)
Interest on short-term borrowings	(547)	(840)
Interest paid on lease liabilities	(2,763)	(3,561)
Acquisitions of treasury shares	(15,594)	-
Principal repayment of lease liabilities	(47,834)	(25,835)
Cash distributions of profits	(189,000)	(130,100)
Net cash used in financing activities	(255,738)	(269,336)
<b>Net increase (decrease) in cash and cash equivalents</b>	(276,750)	(156,857)
Cash and cash equivalents as at January 1	2,372,614	1,688,163
<b>Cash and cash equivalents as at March 31</b>	2,095,864	1,531,306

\*Provision for volume rebates, trade discounts and other incentives is presented as net movement in Trade and other receivables in the Statement of Cash Flow, as allowed by PRFS

The notes on pages 1 to 9 are integral part of these consolidated financial statements.



**Concepcion Industrial Corporation and Subsidiaries**

Notes to the Unaudited Consolidated Financial Statements  
As at March 31, 2024 and December 31, 2023 and for the  
periods ended March 31, 2024 and 2023

(All amounts are shown in thousand Philippine Peso except number of shares,  
per share amounts and unless otherwise stated)

**Note 1 - General information****1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines.

CIC is one of the Philippines' most established and leading suppliers of air conditioners products and solutions and consumer appliances, such as refrigerators, laundry, kitchen, and small domestic appliances. The Company has expanded its business beyond being a trusted expert in air conditioning and refrigeration, towards becoming a complete consumer and commercial solutions company with a range of products and aftermarket services across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers from individuals and families living in residences, to users spread across various verticals like high rise residential towers, office buildings, shopping malls, factories, hotels, hospitals, transportation, and entertainment facilities. These solutions are also designed to meet a variety of diverse needs, such as reliability, durability, comfort, energy efficiency, environmental impact, ease of use, and aesthetic appeal at varying price points with customized features to match user requirements. Moreover, the Company continues to develop these technologies to meet the ever-changing needs of its customers. In addition, the Company offers an array of aftermarket services such as periodic maintenance, parts supply, repairs, and other services intended to support its products through their entire life cycle. Moving beyond products, CIC invests heavily in strengthening its relationship with its customers through the development of various technology platforms and applications designed to ensure a better fit between the product and service offerings to the customer's lifestyle.

CIC and its subsidiaries are collectively called the "Group".

CIC's primary shareholders are Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over CIC. These companies are beneficially owned by Filipino individuals.

CIC's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at March 31, 2024 and December 31, 2023, CIC has three (3) regular employees.

## 1.2 Significant business developments

On March 26, 2024, the CIC board approved the issuance of Redeemable Preferred Stock of CTC to capitalize the existing loan from CIC of P277 million and subscribe up to P50 million of preference stock. In addition, to fund for Shark Ninja and direct-to-consumer business operations, CTC has been authorized to borrow up to P100 million from the banks.

On March 26, 2024, the CIC board approved the increase of authorized capital stock of CBSI to P500 million and issuance of Redeemable Preferred Stock to capitalize the existing loan from CIC of P127 million and subscribe additional stock up to P100 million to fund for working capital requirements.

### **Note 2 - Cash and cash equivalents**

Cash and cash equivalents as at March 31, 2024 and December 31, 2023 consist of:

	2024	2023
Cash on hand	312	415
Cash in banks	918,780	1,060,754
Short-term placements	1,176,772	1,311,445
Total	2,095,864	2,372,614

Cash in banks and short-term placements amounting to P1,972,464 and P123,088 (2023 – P2,226,946 and P145,253) are made with universal and commercial banks, respectively, that earned interest at the prevailing bank deposit rates.

For the period ended March 31, 2024, total interest income earned from cash in banks and short-term placements amounted to P11,652 (2023 –5,837).

### **Note 3 - Trade and other receivables, net**

Trade and other receivables as at March 31, 2024 and December 31, 2023 consist of:

	2024	2023
Trade receivables		
Third parties	4,890,829	4,140,219
Related parties	2,952	17,326
Provision for volume rebates, trade discounts and other incentives	(655,440)	(567,956)
Provision for impairment of receivables	(177,188)	(183,032)
Net trade receivables	4,061,153	3,406,557
Non-trade receivables, net		
Advances to/Claims from suppliers	137,930	153,496
Related parties	92,899	86,249
Advances to employees	34,129	27,328
Rental deposits	843	1,160
Others, net	89,105	70,515
	354,906	338,748
Total Trade and Other Receivables, net	4,416,059	3,745,305

### *Provisions*

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The

Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 to 60 months before January 1, 2023 and 2022 and the corresponding historical credit losses experienced within this period.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

- a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- b. Underperforming - some reminder/follow-ups are performed to collect accounts from counterparty.
- c. Credit impaired - constant reminder/follow-ups are performed to collect accounts from counterparty.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

The maximum exposure to credit risk at the reporting date is the respective carrying values of trade receivables, contract assets, other receivables and due from related parties as at reporting date.

On that basis, the loss allowance as at March 31, 2024 and December 31, 2023 was determined as follows for both trade receivables and contract assets:

	High performing	Underperforming		Credit impaired	Total
	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	
Expected loss rate	Within 0% to 12%	Within 1% to 27%	Within 1% to 27%	Within 1% to 100%	
<b>2024</b>					
Trade receivables					
Third parties	3,496,455	1,190,578	75,553	128,242	4,890,829
Related parties	268	2,684	-	-	2,952
	3,496,723	1,193,263	75,553	128,242	4,893,781
Contract assets	1,003,943	-	-	-	1,003,943
<b>Total</b>	<b>4,500,666</b>	<b>1,193,263</b>	<b>75,553</b>	<b>128,242</b>	<b>5,897,724</b>
Loss allowance	-	25,406	39,198	112,584	177,188
<b>2023</b>					
Trade receivables					
Third parties	2,997,063	904,521	101,143	137,492	4,140,219
Related parties	5,172	12,154	-	-	17,326
	3,002,235	916,675	101,143	137,492	4,157,545
Contract assets	849,419	-	-	-	849,419
<b>Total</b>	<b>3,851,654</b>	<b>916,675</b>	<b>101,143</b>	<b>137,492</b>	<b>5,006,964</b>
Loss allowance	-	-	52,594	130,438	183,032

Advances to employees are realized through salary deductions. Rental deposits are expected to be applied to future lease obligations. All these accounts, including non-trade receivables from related parties, and other receivables do not contain impaired assets and are not past due.

#### **Note 4 - Inventories, net**

Inventories, net as at March 31, 2024 and December 31, 2023 consist of:

	Note	2024	2023
At cost			
Raw materials		1,110,918	1,155,853
Finished goods	10	1,592,606	1,223,368
Work in process	10	5,724	574
Inventories-in-transit		773,644	143,524
Spare-parts and supplies used in business		86,973	91,608
		3,569,865	2,614,927
Provision for inventory obsolescence		(160,733)	(125,554)
Inventories, net		3,409,132	2,489,373

For the period ended March 31, 2024, the cost of inventories recognized under cost of sales and services amounted to P2,363,248 (2023 – 1,736,471) (Note 10).

#### **Note 5 - Investments in Associate**

Details of movement in investment in associate as at March 31, 2024 and December 31, 2023 follow:

	2024	2023
At cost, beginning	260,000	260,000
Additional investments	-	-
At cost, ending	260,000	260,000
Cumulative share in total comprehensive loss, beginning	(161,109)	(169,991)
Share in net income (loss) for the year	28,862	9,415
Share in other comprehensive income (loss) for the year	-	(533)
Reversal of accumulated net loss in Tenex	-	-
Cumulative share in total comprehensive loss, ending	(132,247)	(161,109)
Investment in Associates	127,753	98,891

As at March 31, 2024 and December 31, 2023, the investment in associate pertains only to CMIP.

#### **Note 6 - Goodwill and intangible assets, net**

##### **6.1 Goodwill**

Goodwill is the excess of consideration over proportionate share in fair value of net assets.

Goodwill resulted from CIC's acquisition of COPI in 2014, Teko in 2018 and Tenex in 2022.

For the COPI acquisition, the Group applied the proportionate interest approach to account for the resulting NCI from this business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand, and customer and product base.

For Teko acquisition, the Group applied the proportionate interest approach to account for its NCI. The goodwill of P18,379 arising from the acquisition is attributable to Teko's web-based platforms, consisting of its website and mobile application.

In 2022 under acquisition method, the Group recognized a goodwill of P4,320 from the acquisition of Tenex. The Group applied the proportionate interest approach to account for its NCI.

### *Impairment test for goodwill*

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at March 31, 2024 and December 31, 2023. The Group did not recognize impairment losses for the period ended March 31, 2024 and December 31, 2023 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU). Goodwill arising from the Group's acquisition of Tenex was assessed as not impaired since the current carrying amount approximates its fair value as at March 31, 2024.

## **6.2 Intangible assets, net**

Details and movements of intangible assets account at March 31, 2024 and December 31, 2023 are shown below:

	Customer relationship	Customer backlogs	Computer software	Total
<b>Cost</b>				
At January 1, 2024	187,113	13,883	118,561	319,557
Additions (adjustments)	-	-	-	-
At March 31, 2024	187,113	13,883	118,561	319,557
<b>Accumulated amortization</b>				
At January 1, 2024	75,876	13,883	110,818	200,577
Amortization	1,871	-	1,184	3,055
At March 31, 2024	77,747	13,883	112,002	203,633
Net book values at March 31, 2024	109,366	-	6,559	115,925
<b>Cost</b>				
At January 1, 2023	187,113	13,883	118,561	319,557
Additions (adjustments)	-	-	-	-
At December 31, 2023	187,113	13,883	118,561	319,557
<b>Accumulated amortization</b>				
At January 1, 2023	68,392	13,883	101,439	183,714
Amortization	7,484	-	9,379	16,863
At December 31, 2023	75,876	13,883	110,818	200,577
Net book values at December 31, 2023	111,237	-	7,743	118,980

**Note 7 - Trade payables and other liabilities**

Trade payables and other liabilities as at March 31, 2024 and December 31, 2023 consist of:

	2024	2023
Trade payables		
Third parties	2,283,645	1,051,779
Related parties	557,067	337,606
Total Trade Payables	2,840,713	1,389,385
Accrued expenses		
Project costs	561,958	541,677
Outside services	277,822	238,351
Personnel Costs	245,858	426,398
Advertising and promotion	58,759	29,377
Importation costs	57,908	40,034
Rental and utilities	53,273	42,552
Freight	52,628	47,128
Professional fees	20,037	18,654
Repairs and maintenance	5,682	5,541
Others	114,347	79,515
Total Accrued expenses	1,448,272	1,469,227
Other liabilities		
Dividends payable	417,629	-
Advances on sales contract	348,307	302,323
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	316,844	199,792
Output value-added tax (VAT), net of input VAT	277,511	291,337
Withholding taxes and other mandatory government remittances	44,401	42,564
Related parties	4,633	54,092
Others	343,937	358,657
Total Other Liabilities	1,753,262	1,248,765
Total	6,042,247	4,107,377

Project costs represent costs of HVAC related projects incurred but not yet paid as at reporting date.

**Note 8 - Short-term borrowings**

Movements of short-term borrowings as at March 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Beginning	4,600	114,000
Borrowings	-	-
Payments	-	(109,400)
Ending	4,600	4,600

As at March 31, 2024 and December 31, 2023, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months from 7.25% to 7.35% (2023 -6.75% to 7.35%).

Interest paid on borrowings during the period ended March 31, 2024 amounted to P547 (2023 – P840).

**Note 9 - Revenue from contracts with customers**

Details of net sales and services for the periods ended March 31 are as follows:

	2024	2023
Gross sales		
Sale of goods (Point in time)	4,061,087	3,014,760
Sale of services (Over time)	259,763	225,582
	4,320,850	3,240,342
Deductions		
Trade and volume discounts and other incentives	(405,473)	(280,731)
Sales returns	(83,638)	(77,892)
	(489,111)	(358,623)
Net sales and services	3,831,739	2,881,719

The Group revised the breakdown of revenue and related deductions for the period ended March 31, 2023 to conform with the current year presentation. The changes did not impact previously reflected net income, financial position and cash flow.

**Note 10 - Cost of sales and services**

Details of cost of sales and services for the periods ended March 31 are as follows:

	Note	2024	2023
Raw materials used		1,396,386	1,554,655
Labor		55,032	53,087
Overhead		155,924	158,144
Total manufacturing cost		1,607,341	1,765,887
Work-in-process, beginning	4	574	572
Work-in-process, ending	4	(5,724)	(467)
Cost of goods manufactured		1,602,192	1,765,991
Finished goods inventory, beginning	4	1,223,368	1,510,893
Gross purchases - trading		1,130,295	534,312
Finished goods available for sale		3,955,855	3,811,196
Finished goods inventory, ending	4	(1,592,606)	(2,074,725)
Total cost of sales		2,363,248	1,736,471
Cost of installation and services		146,196	144,383
Others		8,792	(1,657)
Total cost of services		154,988	142,726
Total cost of sales and services		2,518,236	1,879,198

## **Note 11 - Operating expenses**

Details of operating expenses for the periods ended March 31 are as follows:

	2024	2023
Personnel costs	422,919	392,327
Outside services and professional fees	257,108	163,819
Outbound freight	102,023	80,681
Advertising and promotion	71,235	51,366
Rent and utilities	39,852	36,442
Warranty cost	36,090	37,854
Provision for (Reversal of) inventory obsolescence	35,180	3,037
Amortization of right-of-use assets	35,171	38,542
Depreciation and amortization	15,278	14,395
Transportation and travel	13,359	11,607
Taxes and licenses	11,829	9,739
Provision for contingencies	10,925	5,250
Provision for impairment of receivables	10,153	1,629
Royalty	10,128	8,456
Repairs and maintenance	4,861	3,053
Amortization of intangible assets	3,025	4,574
Others	40,709	37,170
	1,119,845	899,942

## **Note 12 - Retirement plan**

The following are the details of the retirement benefit obligation (asset) and retirement benefit expense as at March 31, 2024 and December 31, 2023:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<i>2024</i>									
Retirement benefit obligation	24,348	385,936	151,118	90,254	4,714	925	3,738	587	661,621
Retirement benefit expense	891	14,281	5,987	5,516	1,409	66	351	688	29,189
<i>2023</i>									
Retirement benefit obligation	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
Retirement benefit expense	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318

Retirement benefit expense is included as part of personnel costs under operating expenses (Note 11).

## **Note 13 - Equity**

### **13.1 Share capital**

As at March 31, 2024 and December 31, 2023, CIC's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per share.

The details and movement of share capital as at and for the period ended March 31, 2024 and for the year ended December 31, 2023 follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2023	397,912,491	407,264	993,243	(241,464)
Acquisition of treasury shares	-	-	-	-
December 31, 2023	397,912,491	407,264	993,243	(241,464)
Acquisition of treasury shares	1,300,000	-	-	(15,594)
March 31, 2024	396,612,491	407,264	993,243	(257,058)



### 13.2 Dividend declaration

Cash dividends declared, attributable to owners of CIC, for the period ended March 31, 2024 and for the year ended December 31 are as follows:

Declaration date	Payment date	Per share	2024	2023	2022
March 26, 2024	April 26, 2024	0.7	277,629	-	-
March 29, 2023	April 25, 2023	0.5	-	198,956	-
February 16, 2022	April 12, 2022	1.0	-	-	401,855

For the period ended March 31, 2024 and for the year ended December 31, 2023, NCI from profit distribution of CCAC and COPI amounted to P280,000 and P49,000, respectively (2023 – P172,000 and P44,100, respectively).

### 13.3 Treasury shares

On February 17, 2016, CIC's BOD approved a non-solicitation share buyback program to be carried out until February 16, 2019. On September 9, 2019, CIC's BOD approved a non-solicitation share buyback program to be carried out until September 9, 2022.

On March 20, 2020, the BOD amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from P100 million to P300 million. On July 27, 2022, the BOD extended the share buyback program to another two years or until September 9, 2024.

On March 6 and 7, 2024, CIC repurchased additional shares of 1 million and 0.3 million shares, respectively, totaling to P15.6 million. As at March 31, 2024, the total amount of shares repurchased was P183 million out of the approved buyback of P300 million.

As at March 31, 2024 and December 31, 2023, treasury shares amounted to P257 million and P241 million.

### **Note 14 - Earnings per share**

Basic earnings per share is calculated by dividing the net income attributable to owners of CIC by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by CIC and held as treasury shares, if any.

Earnings per share for the periods ended March 31 is calculated as follows:

	2024	2023
Net income (loss) attributable to owners of the Parent Company	104,028	53,655
Weighted average common shares - basic and diluted (in '000)	396,845	397,912
Basic and diluted earnings per share	0.26	0.13

The basic and diluted earnings per share are the same for each period presented as there are no potential dilutive common shares.

**Management’s Discussion and Analysis of Financial Condition and Results of Operations (based on the Unaudited Consolidated Results)**

**OVERVIEW OF THE BUSINESS**

Concepcion Industrial Corporation (the “Company” or “CIC”), formerly Concepcion Airconditioning Corporation (“CAC”), is one of the Philippines’ most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators. The Company has expanded its business beyond being a trusted expert in air conditioning and refrigeration, towards becoming a complete consumer and commercial solutions company with a range of solutions and aftermarket services across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers from individuals and single families living in residences, to thousands of people spread across large residential towers, office buildings, entertainment facilities, and commercial and industrial sites. These solutions are also designed to meet a variety of diverse needs, such as reliability, durability, comfort, energy efficiency, environmental impact, ease of use, and aesthetic appeal at varying price points with customized features to match individual requirements. Moreover, the Company continues to develop these technologies to meet the ever-changing needs of its customers. In addition, the Company offers an array of aftermarket services such as periodic maintenance, parts supply, repairs, and other services intended to support its products through their entire life cycle. Moving beyond products, CIC invests heavily in strengthening its relationship with its customers through the development of various platforms and applications designed to ensure a better fit between the product and service offerings to the customer’s lifestyle. The Company believes that these aftermarket services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company’s air conditioning and refrigeration solutions from those of its competitors.

As of March 31, 2024, CIC has eight subsidiaries and two associates. The following are the significant subsidiaries and associates of the Company:

Name of Subsidiaries	Percentage of Ownership	
	Direct	Indirect
Carrier Air Conditioning Company (CCAC)	60%	-
Concepcion Durables, Inc. (CDI)	100%	-
Concepcion-Otis Philippines, Inc. (COPI)	-	51%
Concepcion Business Services, Inc. (CBSI)	100%	
Cortex Technologies Corporation (CTC)	100%	
Alstra Incorporated (Alstra)	100%	
Teko Solutions Asia Inc. (Teko)		58% <sup>1</sup>
Tenex Services, Inc. (Tenex)		80%

Name of Associates	Percentage of Ownership	
Concepcion Midea Inc. (CMI)	22%	18%
Teko Solutions Pte. Ltd. (Teko SG)	-	33%

**Carrier Air Conditioning Company (CCAC)**

CCAC engages in the manufacture, sale, distribution, installation, and service of HVAC products and services for residential, commercial, and industrial use. CCAC is a joint venture between the Company and Carrier Air Conditioning Philippines, Inc. (CACPI), which allows it to offer Carrier and Toshiba air conditioner brands and Totaline aftermarket parts. CCAC also offers other brands such as Condura and Kelvinator.

<sup>1</sup>Teko is in the process of securing the Certificate Authorizing Registration for the share transfers to Cortex Technologies Corporation.

CCAC manufactures a select range of its air conditioning equipment at its factory in Light Industry and Science Park (LISP) in Cabuyao, Laguna, Philippines. The factory is Philippines' largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 square meters (sqm). CCAC's products are distributed and sold in the Philippines. It has a nationwide distribution reach supported by a nationwide after-market network. The Company believes CCAC has the largest total air conditioning market share in the Philippines as measured by revenues, including leading market positions in the residential, light commercial and commercial and industrial segments.

#### ***Concepcion Durables, Inc. (CDI)***

CDI engages in the manufacture, sale and distribution of refrigeration equipment, including Condura and Kelvinator brands of refrigerators and freezers. CDI manufactures a select range of its products at its factory at LISP in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. Since 2020, CDI has expanded its product portfolio to laundry and kitchen appliances such as ovens, rice cookers and coffee makers.

#### ***Concepcion Midea Inc. (CMI)***

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry and kitchen appliances. CMI also distributes Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow its expansion to the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a Global Fortune 500 company and has joint venture agreement with Carrier Corporation in selected countries.

#### ***Concepcion-Otis Philippines, Inc. (COPI)***

COPI is a joint venture between Alstra Inc., a wholly owned subsidiary of CIC, and Otis Elevator Company (Philippines). COPI sells, installs and provides services to Otis brand elevators and escalators in the Philippines. Its solutions include engineering design, supply and installation, project management, testing and commissioning, service repairs and retrofit services on vertical transportation equipment. Otis is the world's leading brand for elevator and escalator equipment, installation and service.

#### ***Concepcion Business Services, Inc. (CBSI)***

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management. In 2020, CBSI introduced online platforms to allow other subsidiaries to sell directly to consumers.

#### ***Cortex Technologies Corporation (CTC)***

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential acquisitions, both locally and abroad, to develop solutions that are aligned with CIC's broader vision of building better lives and businesses and owning the home. CTC works across the enterprise to help facilitate innovation and maintain CIC's position as a market leader. On September 29, 2023, CTC was appointed as the distribution arm of CIC for its strategic partnership with JS Global to market and sell home appliances branded under "Shark" and "Ninja".

### ***Alstra Incorporated (Alstra)***

Alstra Inc. was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. Alstra may also engage in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

### ***Teko Solutions Asia Inc. (Teko)***

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages on information technology solutions and innovative business models to transform the appliance services market.

### ***Tenex Services, Inc. (Tenex)***

Tenex is positioned to provide HVAC installation, repairs and maintenance services to high-rise residential buildings, commercial and industrial buildings. Effective July 1, 2022, Tenex became a subsidiary of the Company through its ownership in Alstra, Inc. from the latter's purchase of shares from 49% to 80%.

### ***Teko Solutions Pte. Ltd. (Teko SG)***

Teko SG is a company incorporated in Singapore. Its purpose of business is to be a holding company for the regional expansion of Teko across Southeast Asia.

## **Factors Affecting the Company's Results of Operations**

### **Factors affecting the Company's financial and operational results in the first three months of 2024**

**Macroeconomic Fundamentals:** Philippine economy is expected to accelerate in the first quarter with an unofficial GDP growth estimate of 6.1% due to higher infrastructure spending in both government-funded and public-private partnership projects. Overall inflation ended at 3.3% average for the quarter, a relief from last year's highs, though an uptrend due to acceleration of food prices amid the dry season. Consumer sentiment showed a slight improvement in Q1 compared to the Q4 of last year, brought by expectations on additional and higher income and employment. Business sentiment on the contrary turned less optimistic mainly due to concerns on post-holiday decline in consumer demand and business activities, inflationary pressures, and adverse effects of El Niño.

**Construction Sector Developments:** There was a continuous upward trend in total construction starts across all categories. Privately funded projects maintained a significant output in total construction commencement.

**Commodity Prices:** The Company depends on raw materials sourced from third parties to produce most of its products. Raw materials represent about 88% of the Company's manufactured cost of sales. Commodity prices showed an uptrend due to elevated world market prices.

**Weather:** Effects of El Niño were felt across the country with conditions leading to agricultural damage and water shortages. Prevalent dry condition remains active and expected to persist until May. However, climate models suggest a transition to neutral conditions in May to June with a likelihood of La Niña to develop between June to August.

## **Description of Selected Income Statement Items**

### **Net Sales**

The Company generates revenues from sales of its heating, ventilation and air conditioning (HVAC) including repairs and maintenance services, refrigeration units, laundry and kitchen appliances through its subsidiaries, CCAC, Tenex, and CDI, including sales and service of elevators and escalators in COPI, and building and operating a platform to provide appliance repair and maintenance services in Teko.

### **Costs and Expenses**

- Cost of sales and services

The Company's cost of sales and services comprises the cost of finished goods, raw materials used for the Company's manufactured products, installation costs, labor, and manufacturing and service overhead.

- Expenses

The Company's operating expenses include employee costs, outside services, freight out, rent and utilities, warranty costs, marketing and advertising costs, transportation, travel and entertainment, provisions for commission, impairment of receivables, inventory obsolescence, legal disputes and assessments, repairs and maintenance, royalties, non-income taxes and licenses, depreciation and amortization, commission expense, supplies, insurance, and professional fees.

- Other net operating income (loss)

The Company's other operating income (loss) comprises of interest expense on loans, foreign exchange losses, net of interest income on bank deposits and short-term placements, commission and service income.

### **Income tax expense (benefit)**

The Company's income tax expense comprises the income taxes accrued and/or paid by the Company and its respective subsidiaries including the deferred income tax assets or tax related to future tax benefits.

### **Net Income**

Net income represents the earnings of the Company and its respective subsidiaries.

### **Net Income Attributable to Parent**

Net income attributable to Parent represents the Company's share at 60% of the net income of CCAC, 100% of the net income of CDI, 100% of the net income of CBSI, 100% of the net loss of CTC, 100% of the net income of Alstra, effectively 51% of the net income of COPI, effectively 58% of the net loss of Teko, and effectively 80% of net income of Tenex.

### **Segment information**

The Company reviews and analyzes profit or loss into Consumer and Commercial business while assets, liabilities and other accounts are analyzed at entity level - CCAC, CDI and COPI with all other entities as part of Others.

**a. Profit or loss**

Segment information on reported consolidated profit or loss for the periods ended March 31, as follows (amounts are in millions):

	Consumer business	Commercial business	Others	Total
<b>2024</b>				
Net sales and services	2,827	981	24	3,832
Timing of revenue recognition				
At Point in time	2,827	745	-	3,572
Over time	-	236	24	260
Cost of sales and services	(1,885)	(624)	(9)	(2,518)
Gross profit	942	357	15	1,314
Operating expenses	(818)	(275)	(27)	(1,120)
Other operating income (loss)	16	7	3	26
Interest income*	7	4	1	12
Interest expense	(2)	(1)	-	(3)
Share in net income of associates	29	-	-	29
Income tax benefit (expense)	(36)	(22)	(2)	(60)
Net income (loss) for the three months ended	131	66	(11)	186
<b>2023</b>				
Net sales and services	2,120	751	11	2,882
Timing of revenue recognition				
Point in time	2,120	536	-	2,656
Over time	-	215	11	226
Cost of sales and services	(1,394)	(477)	(8)	(1,879)
Gross profit	726	274	3	1,003
Operating expenses	(665)	(217)	(18)	(900)
Other operating income (loss)	10	5	2	17
Interest income*	2	4	-	6
Interest expense	(4)	(1)	-	(5)
Share in net loss of associates	12	-	-	12
Income tax expense (benefit)	(17)	(14)	(3)	(34)
Net income (loss) for the three months ended	62	47	(16)	93

\*account included in other operating income (loss)

The Group revised the segment breakdown of revenue and related deductions for the period ended March 31, 2023 to conform with the current year presentation. The changes did not impact previously reflected net income, financial position and cash flow.

Consumer business pertains to heating, ventilation and air conditioning (HVAC) products, refrigeration and consumer appliances and aftermarket parts and related services for consumer use. It is supported by a vast network of distributors, dealers, retailers and technicians, who sell, install and service the Group's products primarily in the residential and light commercial segments.

Commercial business pertains to heating, ventilation and air conditioning (HVAC) products and services as well as sales and services of elevators and escalators, primarily for industrial and commercial use. It is sold directly to end customers and through a network of accredited subcontractors.

## b. Assets, Liabilities and Other Accounts

Segment information on consolidated assets and liabilities as at March 31, 2024 and December 31, 2023 (in millions) are as follows:

	CCAC	CDI	COPI	Others	Total
<i>2024</i>					
Current assets	6,283	2,870	1,077	912	11,142
Non-current assets	824	491	888	398	2,601
Current liabilities	3,377	1,456	759	790	6,382
Non-current liabilities	498	234	5	130	868
<i>2023</i>					
Current assets	5,680	2,408	1,127	483	9,698
Non-current assets	790	477	893	385	2,545
Current liabilities	2,420	802	707	559	4,488
Non-current liabilities	473	231	5	116	825

CCAC is engaged in manufacturing, distribution, installation and service of air conditioning products. It is supported by a vast network of distributors, dealers, retailers and technicians who sell, install and service the Group's products in the industrial, commercial and residential property sectors. The management performs review of gross profit per component, while review of segment operating expenses, income tax, and profit or loss are done in total.

CDI is engaged in the manufacturing of refrigerators and freezers and the distribution of laundry and kitchen appliances for the domestic market.

COPI is engaged in the distribution and service of elevators and escalators.

The balances presented in Others are composed of the other entities in the Group including CIC as a legal entity.

## RESULTS OF OPERATIONS

### Quarter Ended March 31, 2024 (Q1)

CIC achieved its highest Q1 net sales of P3.8 billion, marking a historic milestone for the company during this period. This was attributed largely to improved retail presence and activities, wider product portfolio and impact of the prevailing hot weather conditions, as well as a favorable comparison to a lower base. Unlike the previous year, which experienced weak consumer sentiment and logistical challenges, the strong momentum from January persisted throughout the quarter. Earnings doubled versus last year, reaching P186 million.

### **Segment Net Sales**

Consumer business generated P2.8 billion in net sales, an increase of 33% year over year, attributed to growth in both air conditioning products and refrigerators. Air conditioning product sales grew 30% due to improved retail activities and presence and favorability of the hot and dry weather. Refrigeration products maintained consistent monthly sales performance, reaching 60% growth for the quarter, owing to launch of new products and improved retail activities and distribution. Favorability was partly offset by lower laundry sales due to delay in launch of replacement models.

Commercial business delivered P981 million sales, posting 31% growth versus last year. The increase was attributed to HVAC equipment sales driven by distribution expansion as well as the timely arrival of equipment and significant project progress in both air conditioning and elevator projects. Growth in aftermarket service sales also contributed to the increase.

## **Gross Profit**

CIC registered Q1 gross profit of P1.3 billion, a 31% increase from comparable period in 2023, lifted by higher sales across business segments.

## **Operating Expenses**

Total operating expenses stood at P1.1 billion for the quarter, a 24% increase on the same period last year. This was mainly driven by promodiser costs due to increased retail presence and activities, volume-related costs due to higher sales and advertising and promotions. Increase is also attributed to higher inventory provisions for outdated models and parts. Operating expenses growth rate grew slower than sales growth rate.

## **Other Operating Income (loss) and Finance Costs**

Other operating income ended at P26.0 million, mainly from interest income on time deposits and other income partially reduced by foreign exchange loss. Finance cost of P2.8 million pertained to interest expense on lease liabilities.

## **Net Income**

CIC delivered Q1 net income of P185.7 million, which was essentially twice as much as Q1 earnings last year. This was mainly driven by revenue growth across segments partly offset by OPEX growing slower than sales growth rate. Profit after tax after minority interest (PATAMI) was at P104.0 million, P50.4 million higher than same period in 2023.

## **CONSOLIDATED FINANCIAL CONDITION**

### **As at March 31, 2024 compared with as at December 31, 2023**

The Company's financial and operating strategy enabled it to maintain a healthy financial condition to weather any external adversities and allowed it to thrive in an increasingly volatile market environment.

Consolidated total assets as at March 31, 2024 amounted to P13.7 billion, an increase of P1.5 billion from end of 2023 of P12.2 billion. The increase in assets was mainly from trade receivables because of higher sales and higher inventory in anticipation of the peak season. Consolidated net cash was at P2.1 billion, a decrease of P276.8 million from end of 2023.

Total liabilities as at March 31, 2024, amounted to P7.3 billion, an increase of P1.9 billion from December 31, 2023, mainly due to trade payables from inventory purchase.

## **CONSOLIDATED CAPITAL EXPENDITURES**

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in the ongoing upgrade, expansion, and maintenance of its property and equipment relating primarily to machinery and equipment, office equipment and leasehold and building improvements. The Company has historically funded its capital expenditures primarily through working capital derived from operating income.

Year to date March 31, 2024, CIC's capital expenditures totaled to P66.5 million relating to renovation, purchase of machinery and equipment and software upgrades.



**WORKING CAPITAL**

As at March 31, 2024 and December 31, 2023, the Company’s net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), were at P4.8 billion and P5.2 billion, respectively, representing working capital sufficiency.

The Company’s current assets consist of cash and cash equivalents, trade and other receivables, contract assets, inventories, prepayments and other current assets. The Company’s current liabilities consist of trade payables and other liabilities, short-term borrowings, lease liabilities, provisions for warranty, other provisions and income tax payable.

**CASH FLOWS**

The following table sets forth information from the Company’s consolidated statements of cash flows for the period indicated (amounts in millions):

	<b>For the periods ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Net cash flows provided by (used in) operating activities	37.1	142.1
Net cash flows used in investing activities	(58.1)	(29.6)
Net cash flows used in financing activities	(255.7)	(269.3)
Net increase (decrease) in cash and cash equivalents	(276.8)	(156.9)

The net cash flows provided by operating activities for the period ended March 31, 2024, was at P37.1 million composed of income before provision for income tax of P245.6 million excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in cash flow from operating activities was mainly due to the increase in trade receivables.

The net cash flows used in investing activities for the period ended March 31, 2024, was at P58.1 million mainly due to capital expenditures.

The net cash flows used in financing activities for the period ended March 31, 2024, was at P255.7 million driven by dividend payout, payment of lease liabilities and acquisition of treasury shares.

## **Key Performance Indicators**

The Company monitors its financial and operating performance in terms of the following indicators:

	Definition	Unaudited for the periods ended March 31	
		2024	2023
<b>Gross Profit Margin</b>	Gross Profit/Net Sales	34.3%	34.8%
<b>Profit Before Tax</b>	Profit before Tax/Net Sales	6.4%	4.4%
<b>Net Income (% to Sales)</b>	Net Income/Net Sales	4.8%	3.2%
<b>Net Income/(Loss) Attributable to Shareholders (% to Sales)</b>	Profit After Tax Attributable to Shareholders/Net Sales	2.7%	1.9%
<b>Net Income/(Loss) Attributable to Shareholders (Php Millions)</b>	Net Income/(Loss) Attributable to Shareholders / Net Sales	104.0	53.7
<b>Return on Average Equity</b>	Net Income after Non-Controlling Interest / Average Shareholder's Equity net of Non-Controlling Interest	2.2%	1.1%
<b>Return on Average Assets</b>	Net Income/Average Assets	1.4%	0.7%
<b>Earnings per Share*</b>	Net Income after Non-Controlling Interest / Average Shares Outstanding	0.26	0.13

		Unaudited as at March 31	
		2024	2023
<b>Current Ratio</b>	Current Assets/Current Liabilities	1.7	1.9
<b>Debt-to-Equity-Ratio</b>	Total Liabilities/Total Equity	1.1	1.0
<b>Asset-to-Equity Ratio</b>	Total Assets/Total Equity	2.1	2.0
<b>Book Value Per Share*</b>	Shareholder's Equity net of Non-Controlling Interest / Total Shares Outstanding	12.2	11.9