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Jollibee to close 255 stores after suffering over \$200 million loss in first half of 2020

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Homegrown fast-food giant Jollibee Foods Corp. (JFC) suffered worse financial bleeding in the second quarter as its businesses across the globe felt the full brunt of the coronavirus pandemic and the consequent lockdown measures. | Photo courtesy of Jollibee

PHILIPPINE fast food giant Jollibee Foods Corporation (JFC) is the latest brand to feel the impact of the coronavirus pandemic after it suffered financial losses due to enforced lockdowns in the

country.

In a disclosure to the Philippine Stock Exchange, the fast-food giant reported a net loss of P10.171 billion from April to June, reversing its P1.04 billion profits recorded in the same three-month period a year ago.

For the first six months of the year, JFC operated at a net loss of P11.96 billion from a net income of P2.502 billion year-on-year.

Its system-wide sales also dropped 48.4 percent to P30.7 billion year-on-year in the same quarter.

By the end of the quarter, 88% of JFC's stores had reopened in a limited capacity, pushing the company to rely on delivery and take-out services. This caused the revenues to fall by 46.6% to P23.3 billion in the 2nd quarter.

"The business results were very bad but in line with our forecasts. We are now focusing on rebuilding our business moving forward along with implementing major cost improvement under our Business Transformation program," said JFC chief executive officer Ernesto Tanmantiong.

Jollibee chief financial officer Ysmael Baysa, for his part, revealed some 255 company-owned stores will be closed due to the transformation program.

"The P7.0 billion spending for Business Transformation which we disclosed on May 22, 2020 recognizes that our industry and the consumer behavior have changed due to the COVID-19 pandemic. We are changing our cost structure predicting that revenues per store around the world in the medium term will be lower compared with pre-COVID levels," he said.

"The spending for business transformation includes closure of 255 company-owned stores, change in ownership of 95 stores

from company to franchisees, payment of pre-termination penalties of stores in the U.S. and China, closure of supply chain facilities, and reduction in the size of the organization in various countries where we do business,” he added.



Photo courtesy of Jollibee

Jollibee is expecting improved sales and profit in 2021, projecting a growth rate of 15% in 2022.

The fast-food giant also plans to open a total of 338 stores worldwide in 2020, including several in the United States. In 2021, it also seeks to make Smashburger and The Coffee Bean and Tea Leaf profitable.

“We expect sales and profit to improve over the next few months. Our business building effort includes introducing exciting new products, launching new marketing campaigns, opening cloud kitchens, introducing improvement in our delivery systems and opening new stores at selected locations particularly in North America, Vietnam, Malaysia and China,” Tanmantiong said.