



# 9MCY2017 Unaudited Results Earnings Call

November 7, 2017

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# AGENDA

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9M CY2017 Unaudited Financial Results

Balance of the Year Expectations and Guidance

Appendix

# URC: Total business continues to post topline growth but margins remain weak given headwinds

<b>SALES</b>	<b>92.4</b>	<b>+13%</b>	<ul style="list-style-type: none"> <li>• Double-digit topline growth was driven by the sustained performances from core snacking &amp; joint ventures (JVs) in the Philippines (PH), Thailand, Farms and Snack Brands Australia (SBA)</li> </ul>
<b>EBIT</b>	<b>10.8</b>	<b>-7%</b>	<ul style="list-style-type: none"> <li>• Challenges in BCF PH particularly in the coffee category and in Vietnam (VN) continue to drag overall profitability</li> <li>• Fixed costs were well managed as OPEX, excluding SBA, only grew by low single-digit</li> </ul>
<b>EBIT MARGIN</b>	<b>11.7%</b>	<b>-257 bps</b>	
<b>CORE EARNINGS*</b>	<b>9.7</b>	<b>-13%</b>	<ul style="list-style-type: none"> <li>• Both core earnings and net income declined as a result of higher net finance costs and equity losses in joint ventures, and lower unrealized forex gains</li> </ul>
<b>NET INCOME</b>	<b>8.4</b>	<b>-21%</b>	
<b>EBITDA</b>	<b>15.4</b>	<b>-3%</b>	<ul style="list-style-type: none"> <li>• EBITDA remained robust despite lower margins</li> </ul>

# BCF: Challenges in key markets remain (in PH & VN)

<b>SALES</b>	<b>74.9</b>	<b>+12%</b>	<ul style="list-style-type: none"><li>Sales grew by double-digits from the consistent strong performance of Thailand and the incremental contribution of SBA</li></ul>
	<b>8.7</b>	<b>-10%</b>	<ul style="list-style-type: none"><li>Margins continued to be depressed because of coffee in the PH (lower volume &amp; unfavorable mix) and the slower than expected recovery in VN</li><li>Forex devaluation in the Philippines as well as higher input costs further pulled down operating income</li></ul>
<b>EBIT</b>	<b>11.6%</b>	<b>-280 bps</b>	

# BCF PH: Coffee still dragged overall results despite sustained momentum in core snacking, JVs and the recovery of RTD beverages

<b>SALES</b>	43.7	-1%	<ul style="list-style-type: none"> <li>• Core snacking (snacks, bakery &amp; confectionery) continued to maintain its sales momentum by growing high single-digit</li> <li>• RTD beverages already showed signs of recovery in Q3 driven by Tea and Water. The new Cebu plant augmented RTD Tea's supply while capacity for water has normalized</li> <li>• Aggressive moves by competition on coffee mixes resulted to lower sales volume for coffee</li> <li>• Nissin, Vitasoy and Danone joint ventures posted robust sales results</li> </ul>
	6.8	-14%	
<b>EBIT</b>	15.5%	-233 bps	<ul style="list-style-type: none"> <li>• Coffee category's profit pool and contribution have shrunk with the apparent shift to lower value/ margin twin packs</li> <li>• Margins were also affected by the rising input costs of key materials and forex devaluation</li> </ul>

# BCF INTL: Slower than expected recovery in Vietnam continues to dampen overall margins

<b>SALES</b>	<b>31.2</b>	<b>+39%</b>	<ul style="list-style-type: none"> <li>• Thailand maintained its strong sales performance despite a sluggish FMCG market</li> <li>• Malaysia's sales improved due to the double-digit growth of snacks, confectionery and biscuits</li> <li>• Indonesia's sales still affected by the weaker consumer sentiment and the intense competition in salty snacks from major local players</li> <li>• Oceania's strong sales performance was due to SBA's sustained business while the improvement in margins was driven by Griffin's turnaround as a result of the overall synergies and better portfolio management</li> <li>• Vietnam's recovery was slower than expected given that the RTD Tea category has contracted by double-digits</li> </ul>
	<b>1.9</b>	<b>+12%</b>	
<b>EBIT</b>	<b>6.2%</b>	<b>-149 bps</b>	

# BCF: Key Highlights

**COMBAT** intense competition through innovation beyond white format and investments in A&P

## COFFEE

While protecting our leadership in the white format, a new product was also launched recently outside this sub-segment to re-excite the market and ward off competitive threats

#TasteTheNewGreat



**ENGAGE** target consumers through traditional & digital advertising and on-ground activations

## VITASOY

Implemented a 360° Through The Line Marketing Campaign that highlights authenticity. Different executions were used to drive brand awareness and engage consumers from traditional advertising to consumer activations to trial offers

#CelebrateReal #RealGoodVitasoy



**REGAIN** C2's relevance through brand re-engineering

## C2 (VIETNAM)

Reinvented brand message from "healthy flavored tea" to "refreshing relief" that targets the emotions of millennials and centennials. Recent executions of digital and consumer promos have already renewed interest of urban Vietnamese teenagers on the brand

#ChatChoi #ChinChan  
(Cool Image) (Clean Values)



# NON-BCF: Strong revenue performance attributable to higher ASP of Farms and higher volumes of Sugar

<b>SALES</b>	16.5	+17%
	7.4	+9%
	9.1	+24%
<b>EBIT</b>	3.5	+10%
	1.4	+85%
	2.1	-13%

**AGRO- INDUSTRIAL GROUP (AIG)**

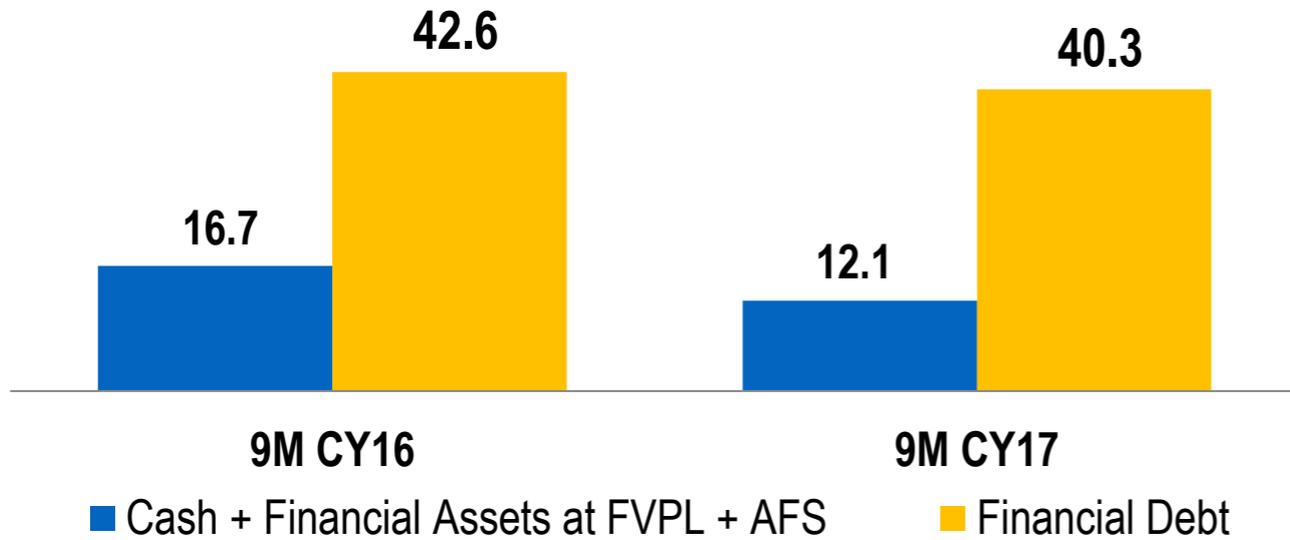
- Feeds sales grew as a result of slightly higher average selling prices and volumes
- Farms sales were up by double-digits driven by higher average selling prices in the hogs segment

**COMMODITY FOODS GROUP (CFG)**

- Flour sales declined due to lower selling prices as a result of the increase in supply in the market
- Sugar sales volume grew but average selling prices declined

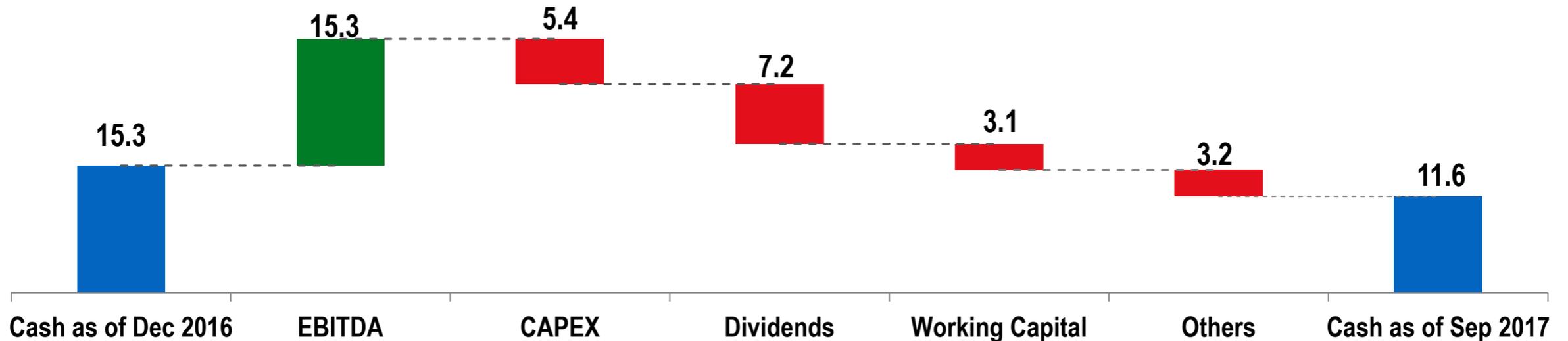
# Balance sheet and cash position remained robust

## Cash and Financial Debt



- Net debt of Php 28.2B due to long term debt of AUD 484M used for SBA's acquisition
- Gearing ratio of 0.52
- Major cash disbursements for CAPEX, Dividends payment and working capital

## Cash Position



# Balance of the Year Expectations and Full Year Guidance

## SALES

- Philippines
  - Core Snacking and JVs in the Philippines will maintain their sales growth momentum
  - RTD Beverages will accelerate its recovery given the additional capacity and renewed marketing programs
  - Coffee will slightly improve from previous quarters driven by the effect of its new product launch
- Thailand & Malaysia will continue to grow vs same period last year
- Indonesia will slowly recover from an unfavorable consumer environment
- Vietnam will push to recover more than 50% of its peak sales level by Dec 2017 through better consumer engagement programs

## PROFITABILITY

- Rising prices of key materials and forex devaluation will remain a threat to overall margins but will be slightly offset by the planned price increases in Salty Snacks and Water
- Vietnam will post positive EBITDA for the year and positive EBIT in Q4
- Oceania's margins will continue to improve as a result of better Q4 sales in Australia and New Zealand coupled with additional realized synergies
- Non-BCF will have a slightly higher absolute profit contribution driven by Farms

***With these, we expect full year sales to grow by low double-digits but operating income will decline by low single-digit***

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# APPENDIX

# Balance Sheet

(Php Millions)	As of Sep 2017	As of Dec 2016 (Audited)
Cash & cash equivalents (including Financial assets at FVPL and AFS investments)	12,103	15,775
Other current assets	40,400	36,500
Property, plant, and equipment	46,921	45,007
Other noncurrent assets	45,300	45,383
<b>TOTAL ASSETS</b>	<b>144,724</b>	<b>142,665</b>
Current liabilities	27,754	28,105
Noncurrent liabilities	39,194	35,711
<b>TOTAL LIABILITIES</b>	<b>66,949</b>	<b>63,816</b>
Retained earnings	60,567	59,299
Other equity	17,208	19,550
<b>TOTAL EQUITY</b>	<b>77,775</b>	<b>78,849</b>

# Income Statement

(Php Millions)	9M CY17	9M CY16	YoY
NET SALES	92,415	81,728	13%
Cost of Sales	64,126	55,407	16%
GROSS PROFIT	28,289	26,321	7%
Operating Expenses	(17,522)	(14,698)	19%
OPERATING INCOME	10,768	11,622	-7%
Equity in Net Income of JVs	(207)	(117)	
Finance cost - net	(914)	(586)	
Other Revenues/ expenses	89	312	
CORE EARNINGS	9,735	11,231	-13%
Market valuation gain/ (loss)	66	111	
Foreign exchange gain/ (loss) - net	768	1,733	
Impairment Loss	(8)	(111)	
INCOME BEFORE INCOME TAX	10,562	12,963	-19%
Provision for Income Tax	2,154	2,297	
NET INCOME	8,408	10,666	-21%
Net income attributable to holders of the parent	8,211	10,502	-22%
EBITDA	15,400	15,802	-3%

- Net finance cost increased vs. SPLY due to higher level of financial debt from the loan used for SBA's acquisition
- Market valuation gain on financial instruments at fair value was down as LY included a gain on derivative assets. TY's financial instruments only consist of investment in equity securities
- Other revenues/ expenses declined as 2016 included a gain on expropriation of China properties
- Net foreign exchange gain decreased as a result of lower IDR and NZD forex appreciation vs SPLY

# Divisional Financials

(Php Millions)	SALES			EBIT			EBIT MARGIN		
	9M CY17	9M CY16	YoY	9M CY17	9M CY16	YoY	9M CY17	9M CY16	YoY
Branded Consumer Foods	75,914	67,603	12%	8,723	9,687	-10%	11.5%	14.3%	(284)
Total Philippines	44,684	45,126	-1%	6,802	7,968	-15%	15.2%	17.7%	(244)
Philippines	43,691	44,302	-1%	6,781	7,910	-14%	15.5%	17.9%	(233)
Packaging	992	824	20%	21	58	-64%	2.1%	7.0%	(495)
International	31,230	22,477	39%	1,921	1,718	12%	6.2%	7.6%	(149)
Non-Branded Consumer Foods	16,501	14,125	17%	3,456	3,135	10%	20.9%	22.2%	(125)
CFG (net)	9,065	7,298	24%	2,099	2,400	-13%	23.2%	32.9%	(974)
Flour	2,680	2,857	-6%	770	873	-12%	28.7%	30.6%	(185)
SURE	6,385	4,441	44%	1,329	1,527	-13%	20.8%	34.4%	(1,356)
AIG (net)	7,436	6,827	9%	1,357	735	85%	18.2%	10.8%	748
Feeds	3,964	3,846	3%	727	705	3%	18.3%	18.3%	1
Farms	3,472	2,981	16%	630	30	2002%	18.1%	1.0%	1,714
Corporate Expense				(1,412)	(1,200)	18%			
Total URC	92,415	81,728	13%	10,768	11,622	-7%	11.7%	14.2%	(257)

# Value Market Shares

## Philippines

CATEGORY	MARKET SHARE	#1	#2	#3
Snacks	35.7%	URC	22.7%	5.5%
Candies	28.0%	URC	12.0%	11.0%
Chocolates	24.7%	URC	9.9%	8.9%
Biscuits	16.7%	31.0%	26.2%	URC
Cup Noodles	52.1%	URC	39.4%	0.8%
RTD Tea	84.4%	URC	0.5%	
Coffee	27.7%	39.3%	29.2%	URC
Instant Coffee	26.5%	69.4%	URC	2.1%
Coffee Mixes	27.9%	34.9%	33.3%	URC

## Thailand

CATEGORY	MARKET SHARE	#1	#2	#3
Biscuits	25.9%	URC	10.5%	8.1%
Wafers	27.8%	URC	12.2%	10.9%

## Vietnam

CATEGORY	MARKET SHARE	#1	#2	#3
RTD Tea	14.6%	53.0%	16.0%	URC
Energy Drink	2.7%	44.3%	22.4%	21.3%

## New Zealand

CATEGORY	MARKET SHARE	#1	#2	#3
Sweet Biscuits	44.1%	URC	21.4%	11.6%
Crackers	21.0%	31.1%	URC	12.5%

## Australia

CATEGORY	MARKET SHARE	#1	#2	#3
Salty Snacks	25.3%	54.8%	URC	4.5%

AC Nielsen, Value, MAT: Snacks-Jun 2017, Candies, Chocolates -Jul 2017, Biscuits- Aug 2017, Cup Noodles- Jul 2017, RTD Tea and Coffee- Aug 2017

URC Thailand: Biscuits and Wafers- Aug 2017, URC Vietnam: RTD Tea- Sep 2017; Energy Drink- Aug 2017

New Zealand: Sweet Biscuits and Crackers- IRI MarketEdge NZ Grocery MAT 24 Sep 2017; Australia: Aztec Scan AUS Grocery MAT 9/7/17