



Q1 CY2018 Unaudited Results Earnings Call

April 30, 2018

Lance Y. Gokongwei
President and CEO

Michael P. Liwanag
Vice President



AGENDA

Q1 CY2018 Unaudited Financial Results

Balance of the Year Expectations, Plans and Guidance

Appendix

URC: Topline slightly grew while margin pressure continues

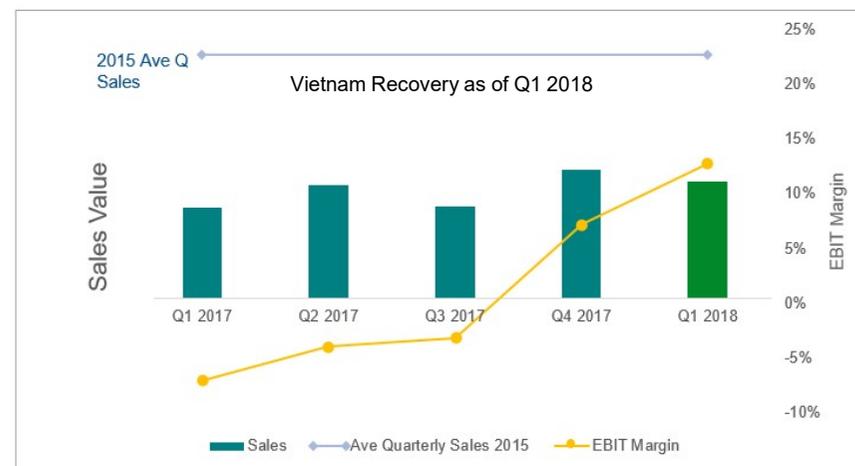
	1Q CY18	1Q CY17	Vs. SPLY
SALES	31.2	30.7	+2%
EBIT	3.5	4.0	-14%
EBIT MARGIN	11.1%	13.1%	-205 bps
CORE EARNINGS*	2.9	3.9	-25%
NET INCOME	3.0	3.4	-12%
EBITDA	5.0	5.6	-10%

- ☐ Topline growth driven by recovery in Vietnam and good performance of Agro-Industrial Group (AIG)
- ☐ Margins significantly declined due to the continuing challenges in the Philippines compounded by inflation and forex devaluation
- ☐ Core earnings before tax decreased further due to lower operating income and higher other expenses

BCF: Vietnam's recovery drove International BCF growth while Philippines topline declined

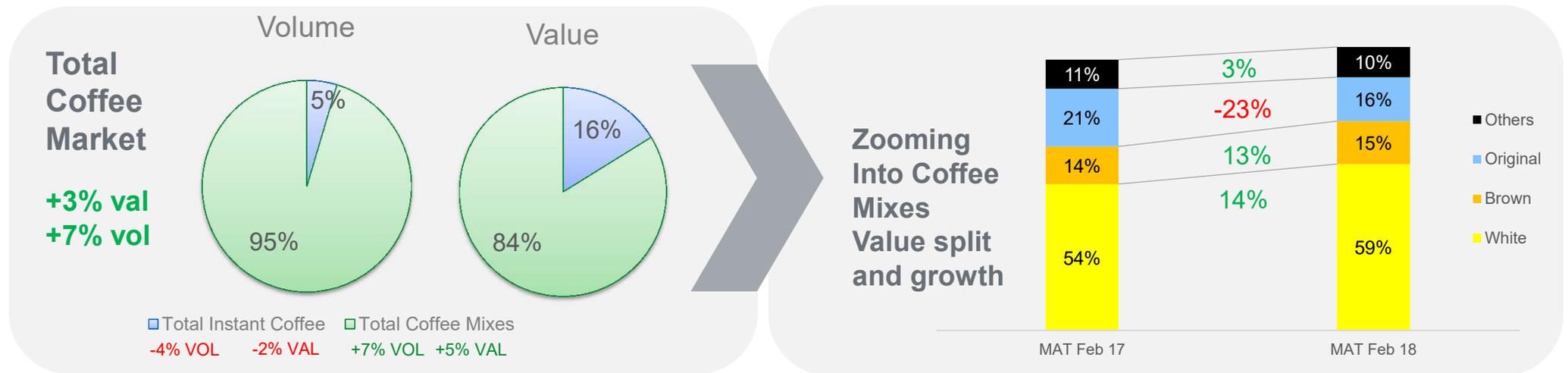
	1Q CY18	1Q CY17	vs SPLY
SALES	25.1	24.8	+1%
PH	14.3	15.0	-5%
INT	10.8	9.8	+10%
EBIT	2.8	3.0	-6%
PH	1.9	2.5	-23%
INT	0.9	0.5	+73%
EBIT MARGIN	11.3%	12.2%	-83 bps
PH	13.4%	16.5%	-318 bps
INT	8.6%	5.4%	316 bps

- Recovery in Vietnam buoyed up topline and margins but not enough to compensate the weaker performance of the Philippines



- Higher inflation and forex devaluation in the Philippines affected consumer demand resulting to lower sales volumes and margins
- Excise tax for sweetened beverages also contributed to the erosion in margins

Coffee: Competitive intensity remains tough, total profit pool of the category continues to shrink

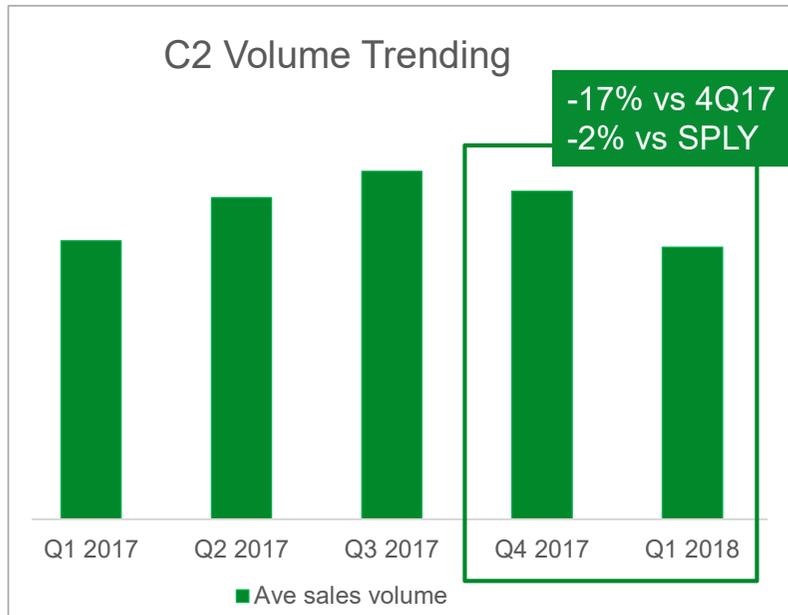


TOTAL COFFEE	TY	LY	bps
URC	26%	29%	-372
Company 1	38%	42%	-427
Company 2	33%	25%	774
COFFEE MIXES	TY	LY	bps
URC	26%	30%	-434
Company 1	31%	36%	-485
Company 2	39%	30%	889

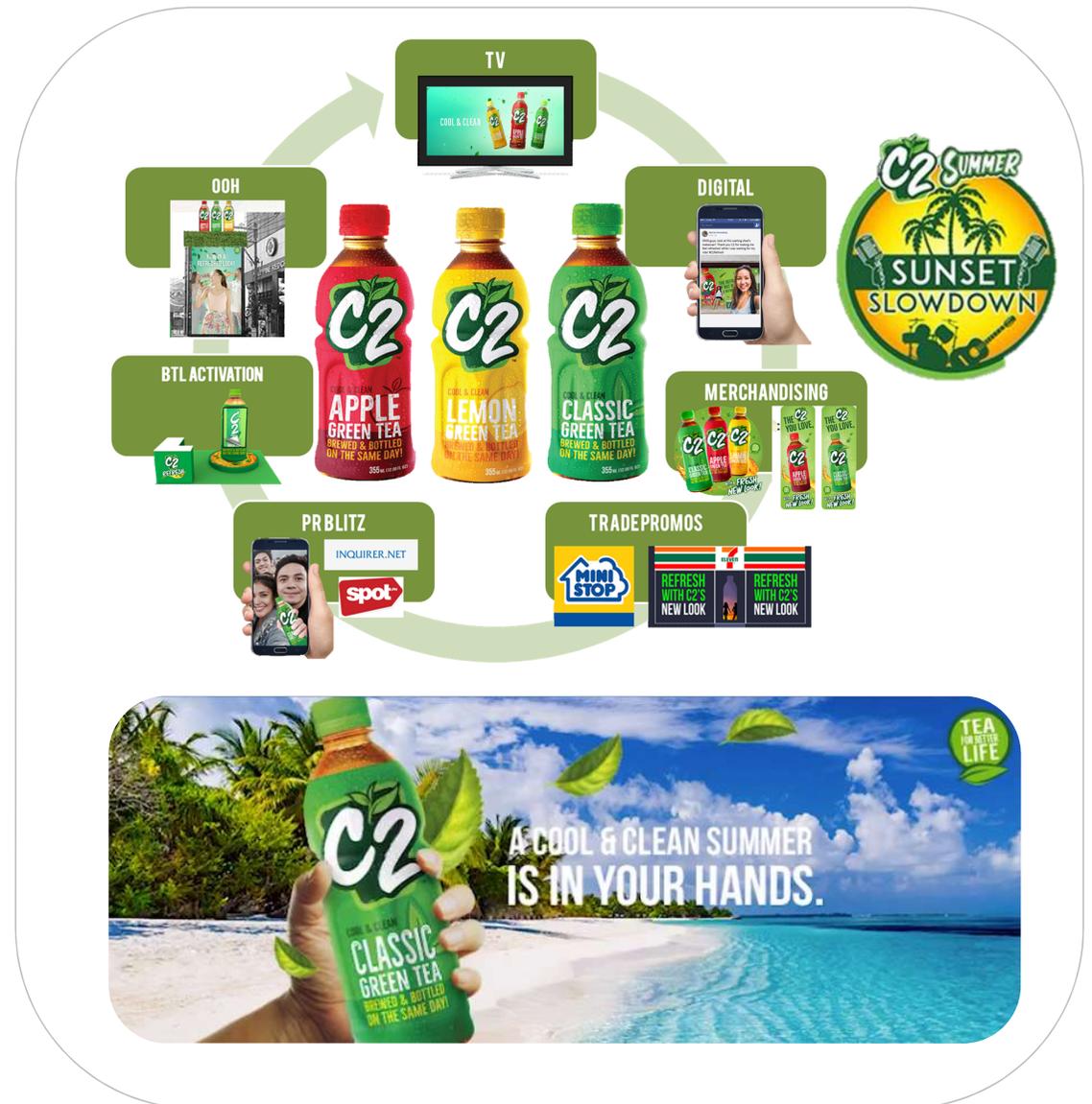
- Competitive intensity remains tough with both competitors deploying aggressive investments in A&P to gain or recover shares
- Total coffee category continues to commoditize which is very evident in the mixes segment. Price per unit collapsed ~3% in the past 12 months
- Slower than expected demand coming from the general trade further affecting offtake

*Based on MAT as of Feb 2018

RTD Tea: Excise tax has affected C2 volumes while value is still buoyed up by the price increase vs last year



- QoQ volume trended downwards as a result of slower offtake and inventory correction
- C2 Relaunch during Q1 2018 was supported through a 360° marketing campaign targeting new set of consumers



NON-BCF: Higher volumes of feeds and higher average selling price of farms drove total growth in revenue

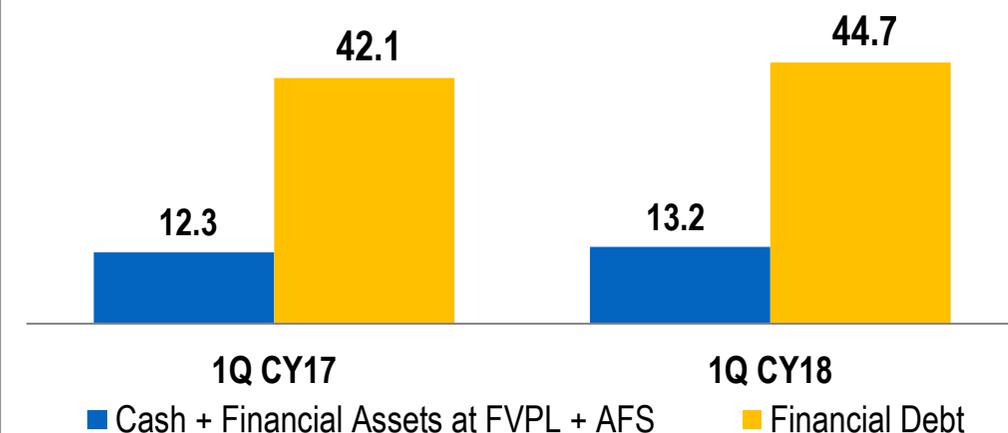
	1Q CY18	1Q CY17	vs SPLY
SALES	5.7	5.5	+3%
AIG	2.6	2.3	+11%
CFG	3.1	3.2	-3%
EBIT	1.1	1.4	-29%
AIG	0.2	0.5	-66%
CFG	0.9	0.9	-7%

- ☐ Sales growth was driven by Agro Industrial due to the shift to value-added products of Farms and higher volume of Feeds
- ☐ Higher input prices and operating costs for Flour & AIG and lower selling prices for Sugar resulted, to a decline in operating income

*AIG EBIT includes revaluation loss of 116M TY coming from farms vs 163M gains LY

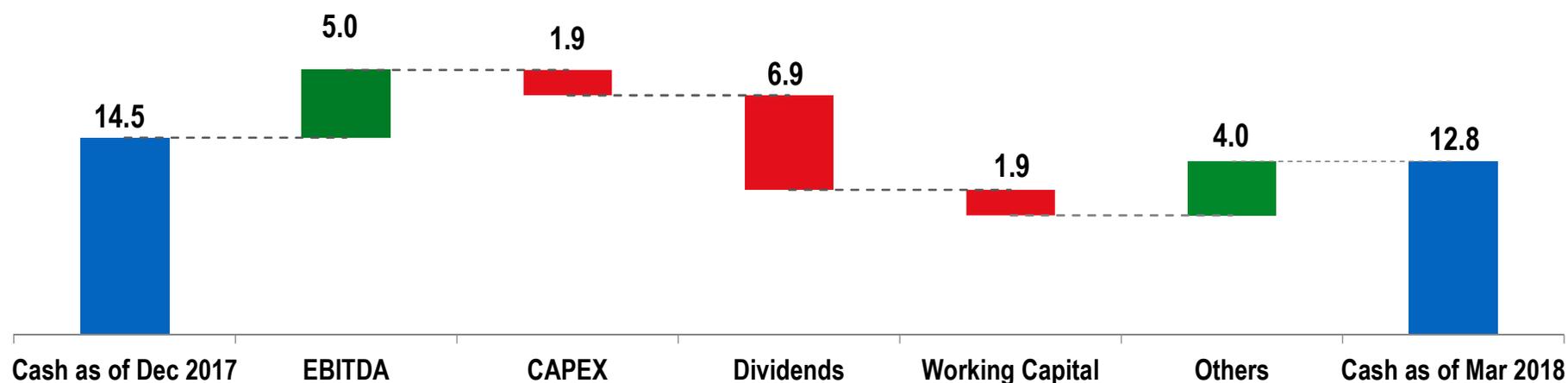
Strong balance sheet and cash position

Cash and Financial Debt



- Net debt of Php 31.5B due to long term debt of AUD 484M used for SBA's acquisition
- Gearing ratio of 0.59
- Major cash disbursements for CAPEX, Dividends payment and working capital

Cash Position



Expectations & Plans for 2018

We plan to bring the business back on track by growing topline high single digit and operating income slightly higher for the year

EXTERNAL PRESSURES

- Macroeconomic environment will continue to remain challenging with inflation and forex devaluation a lingering concern
- Competitive intensity on coffee will drive further commoditization of the category
- Increasing volatility in soft commodities and packaging materials

DRIVE PORTFOLIO OPTIMIZATION AND BETTER ROUTE TO MARKET EXECUTION

- Drive portfolio optimization and focus on core categories/brands
- Review route to market execution and supply chain to further improve numeric distribution, stock weights and service levels
- Renovate key brands across the portfolio to improve equity
- Realign our budgets to focus on performance driven promotions programs
- Implement Price Increase to offset volatility
- Continue to scale up JV with Danone and Vitasoy

REVITALIZED LEADERSHIP

- Major reorganization with key talents joining the organization
- President & CEO
 - Deputy CFO for Branded Foods Group
 - VP Marketing for Beverages
 - VP Sales for BCF PHL
 - GM for Indonesia

Official Announcement

Irwin C. Lee
President and CEO, URC
(Effective May 14, 2018)



With 32 years of work experience in FMCG and Retail across Asia, Northern Europe and the US.

Key Career highlights in Retail & Corporate Strategy

- ✓ Global Strategic Advisor, **McKinsey & Co.**
- ✓ Board of Director & Remuneration Committee Chairman, **Wm Morrisson Supermarkets Plc.**
- ✓ CEO, **Rustan Supercenters, Inc.**
- ✓ Board Director, **Rose Pharmacy under Jardine Matheson's**

Key Career Highlights in FMCG

- ✓ **As Regional VP in P&G Europe** in 2014-2015, Irwin headed P&G's \$4.7 billion commercial operations across UK, Ireland, Sweden, Denmark, Norway and Finland which is P&G's 2nd largest regional cluster
- ✓ Delivered profitable growth through recession, and led P&G London's 2012 Olympics program when he was **VP/MD of P&G UK & Ireland**
- ✓ Irwin **doubled the business within 3 years** and restructured its entities, JVs, and partnership buyouts. He became a member of Global Finance leadership team in P&G when he was **Finance VP in P&G Greater China**
- ✓ He led P&G's China laundry detergent business **to market leadership and profitability** while streamlining 400 workforce operations across commercial teams as **VP/MD for P&G greater China** with dual roles as CMO and GM for laundry detergent business

Graduated Summa Cum Laude with a degree in BS in Commerce Major in Accounting from **De La Salle University-Manila** in 1984 and was **3rd place** in the Philippine CPA Licensure Examinations in 1985

APPENDIX

Balance Sheet

(Php Millions)	As of Mar 2018	As of Dec 2017	As of Mar 2017
Cash & cash equivalents (including Financial assets at FVPL and AFS investments)	13,234	14,999	12,298
Other current assets	42,483	38,750	38,946
Property, plant, and equipment	50,384	48,254	45,297
Other noncurrent assets	45,860	45,638	45,709
TOTAL ASSETS	151,961	147,641	142,250
Current liabilities	35,692	28,000	30,553
Noncurrent liabilities	39,919	37,955	37,605
TOTAL LIABILITIES	75,611	65,955	68,158
Retained earnings	59,253	63,244	55,727
Other equity	17,096	18,442	18,366
TOTAL EQUITY	76,349	81,686	74,093

Income Statement

(Php Millions)	As of Mar 2018 (Unaudited)	As of Mar 2017 (Unaudited)	YoY
NET SALES	31,189	30,689	2%
Cost of Sales	21,461	20,838	3%
GROSS PROFIT	9,728	9,851	-1%
Operating Expense	-6,272	-5,821	8%
OPERATING INCOME	3,456	4,030	-14%
Equity in net income of JVs	-17	-49	
Finance cost - net	-290	-282	
Other Revenues/ expenses	-237	201	
CORE EARNINGS	2,913	3,900	-25%
Market valuation gain/ (loss)	-26	10	
Foreign exchange gain/ (loss) - net	759	339	
INCOME BEFORE INCOME TAX	3,645	4,249	-14%
Provision for Income Tax	625	803	
NET INCOME	3,020	3,445	-12%
Net income attributable to holders of the parent	2,952	3,371	
EBITDA	4,993	5,569	-10%

- Increase in other expense is due to professional fee to consultants helping us in reviewing our portfolio.
- Net forex gain is due to the effects of depreciation of Philippine peso vs USD.

Divisional Financials

(Php Millions)	SALES			EBIT			EBIT MARGIN		
	Q1 2018	Q1 2017	YoY	Q1 2018	Q1 2017	YoY	Q1 2018	Q1 2017	YoY
Branded Consumer Foods	25,514	25,190	1%	2,866	3,034	-6%	11.2%	12.0%	(81)
Total Philippines	14,745	15,369	-4%	1,940	2,499	-22%	13.2%	16.3%	(310)
Philippines	14,336	15,025	-5%	1,915	2,485	-23%	13.4%	16.5%	(318)
Packaging	409	344	19%	25	14	73%	6.1%	4.2%	191
International	10,769	9,822	10%	926	534	73%	8.6%	5.4%	316
Non-Branded Consumer Foods	5,675	5,499	3%	1,045	1,464	-29%	18.4%	26.6%	(820)
CFG (net)	3,092	3,176	-3%	867	936	-7%	28.0%	29.5%	(143)
Flour	898	860	4%	212	229	-8%	23.6%	26.7%	(309)
SURE	2,195	2,316	-5%	656	707	-7%	29.9%	30.5%	(64)
AIG (net)	2,582	2,322	11%	178	528	-66%	6.9%	22.7%	(1,583)
Feeds	1,343	1,199	12%	190	208	-9%	14.2%	17.3%	(318)
Farms	1,240	1,123	10%	(12)	320	-104%	-1.0%	28.5%	(2,945)
Corporate Expense				(455)	(467)	-3%			
Total URC	31,189	30,689	2%	3,456	4,030	-14%	11.1%	13.1%	(205)

Value Market Shares

Philippines

CATEGORY	MARKET SHARE	#1	#2	#3
Snacks	35.1%	URC	22.7%	5.5%
Candies	26.8%	URC	11.7%	11.3%
Chocolates	24.4%	URC	11.0%	9.1%
Biscuits	16.6%	30.4%	25.6%	URC
Cup Noodles	50.4	URC	40.6	
RTD Tea	84.6%	URC	2.8	2.8
Coffee	25.8%	37.6%	32.5%	URC
Instant Coffee	26.5%	69.7%	URC	1.9%
Coffee Mixes	25.6%	38.8%	31.4%	URC

Thailand

CATEGORY	MARKET SHARE	#1	#2	#3
Biscuits	26.0%	URC	11.5%	7.8%
Wafers	27.4%	URC	13.2%	10.8%

Vietnam

CATEGORY	MARKET SHARE	#1	#2	#3
RTD Tea	15%	52.6%	15.8%	URC
Energy Drink	3.5%	44.4%	20.2%	21.9%

New Zealand

CATEGORY	MARKET SHARE	#1	#2	#3
Sweet Biscuits	42.8%	URC	20.6%	13.0%
Crackers	20.1%	31.2%	URC	13.1%

Australia

CATEGORY	MARKET SHARE	#1	#2	#3
Salty Snacks	25.1%	54.8%	URC	4.8%

AC Nielsen, Value, MAT: Snacks, Candies, Chocolates, Biscuits, RTD Tea and Coffee - Feb 2018, Cup Noodles - Mar 2018

URC Thailand: Biscuits and Wafers- Feb 2018, URC Vietnam: RTD Tea- Feb 2018, Energy Drink (Rural Vietnam only)- Feb 2018

New Zealand: Sweet Biscuits and Crackers-IRI MarketEdge NZ Grocery MAT 18 March 2018; Australia: Aztec Scan AUS Grocery MAT to 18/3/18