



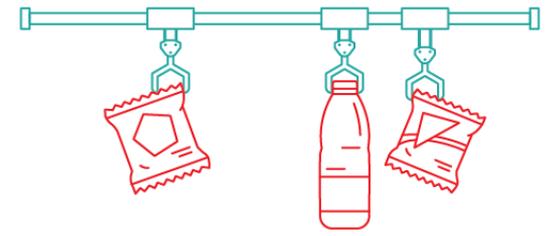
# 1H CY2018 Unaudited Results Investor Briefing

July 30, 2018

**Irwin C. Lee**  
President and CEO

**Mike P. Liwanag**  
Vice President

# AGENDA

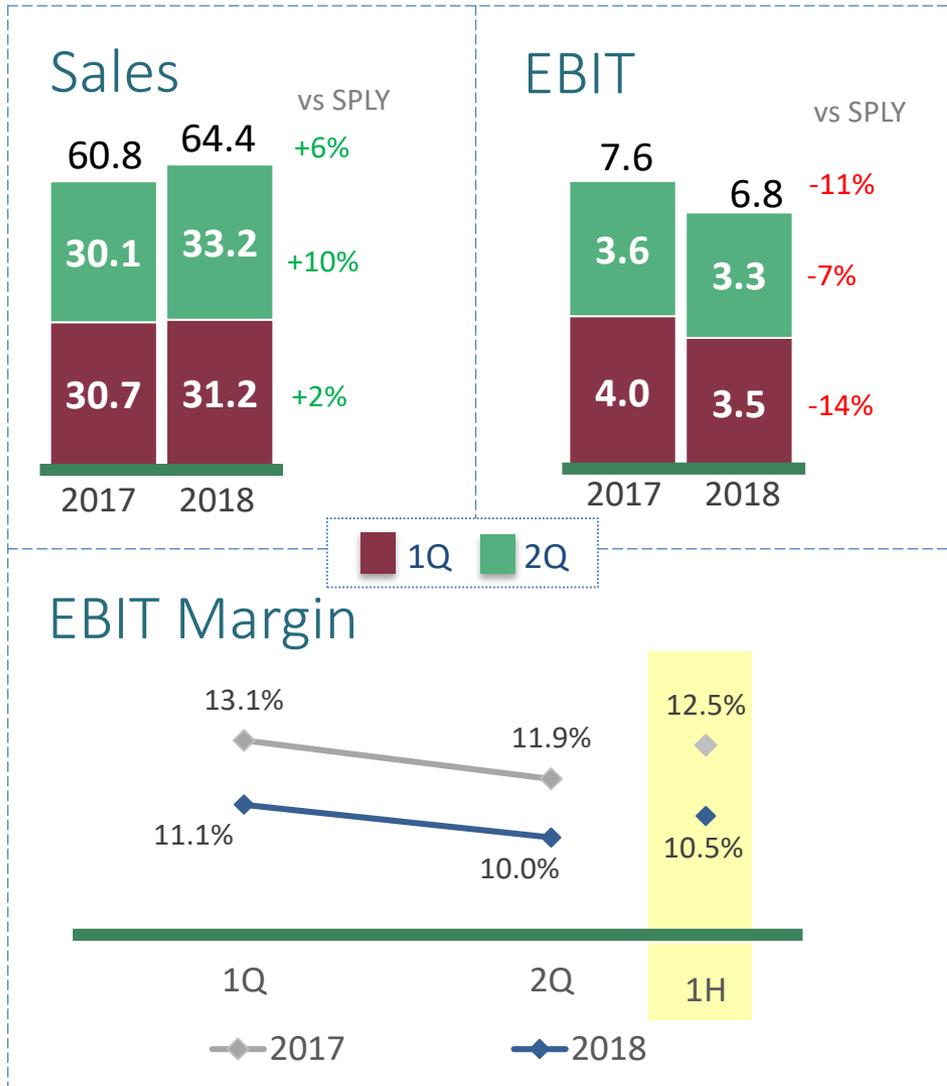
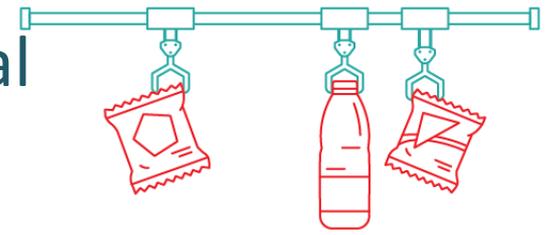


1H CY2018 Unaudited Financial Results

Our Plans, Expectations and Guidance

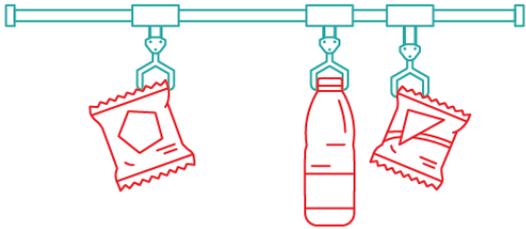


# URC: Topline growth driven by International and Agro-Industrial & Commodities (AIC)

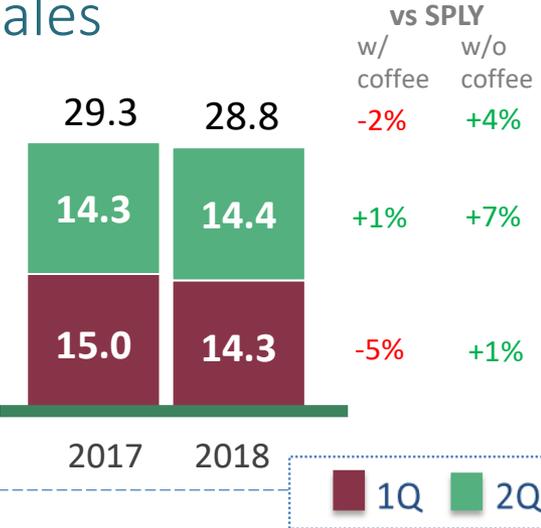


- Topline growth driven by International and AIC
- Profits remained challenged driven by lower volumes in Coffee and higher selling & distribution cost.

# BCF-PH: Posted positive topline growth in Q2



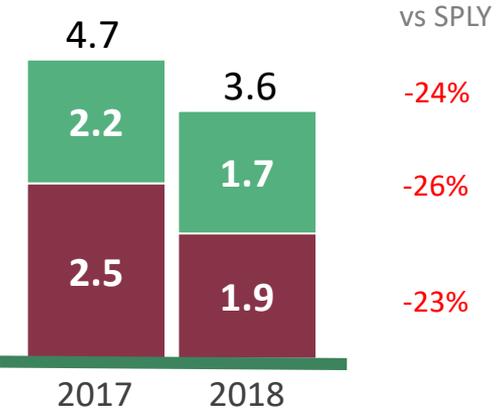
## Sales



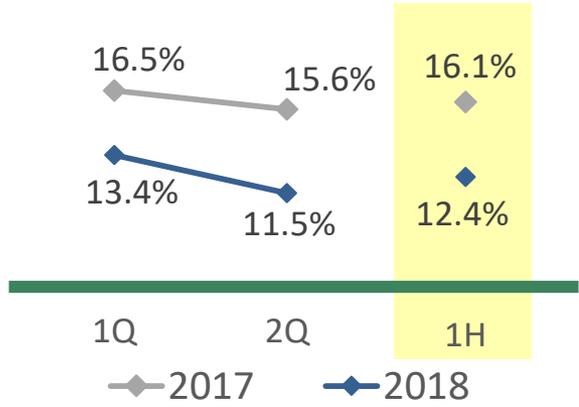
## Sales vs SPLY

	Q1	Q2	H1
Snackfoods	-3%	+9%	+3%
Coffee	-21%	-16%	-18%
RTD beverage	+18%	+8%	+12%
Noodles	+6%	+13%	+9%
<b>Total</b>	<b>-5%</b>	<b>+1%</b>	<b>-2%</b>

## EBIT

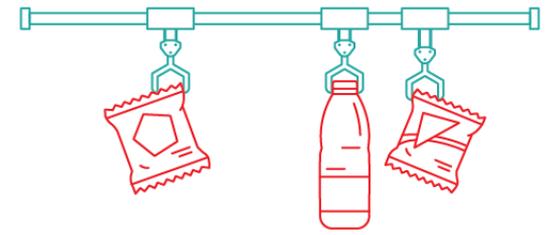


## EBIT Margin

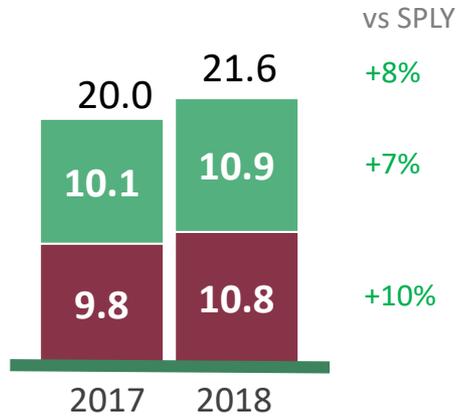


- Topline growth in Q2 driven by recovery of Snackfoods, RTD Beverages, and Noodles
- Decline in EBIT was due to lower volumes in coffee and higher selling & distribution expenses.

# BCF-INTERNATIONAL: Recovery in Vietnam led to overall topline growth



## Sales



## Performance from key markets

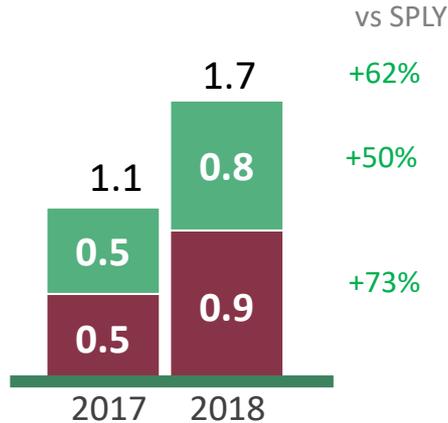
Sales growth in USD

	Q1	Q2	H1
VN	+28%	+23%	+25%
ID	+5%	+9%	+7%
TH	+6%	-2%	+2%
AU	+11%	+3%	+7%
NZ	-15%	-9%	-12%

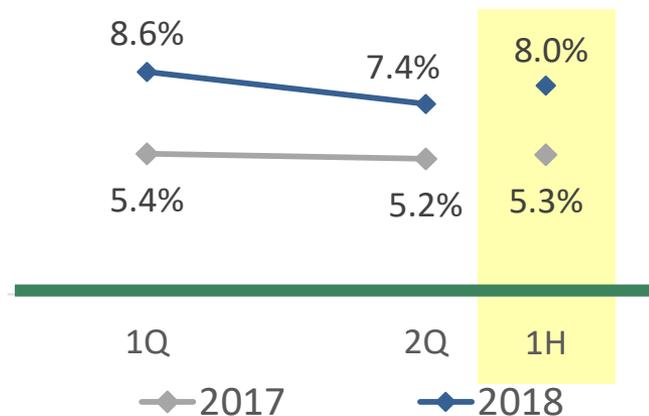
➤ Vietnam, Australia, and Indonesia drove sales growth

➤ Thailand domestic market is sluggish and Cambodia distribution is under transition.

## EBIT

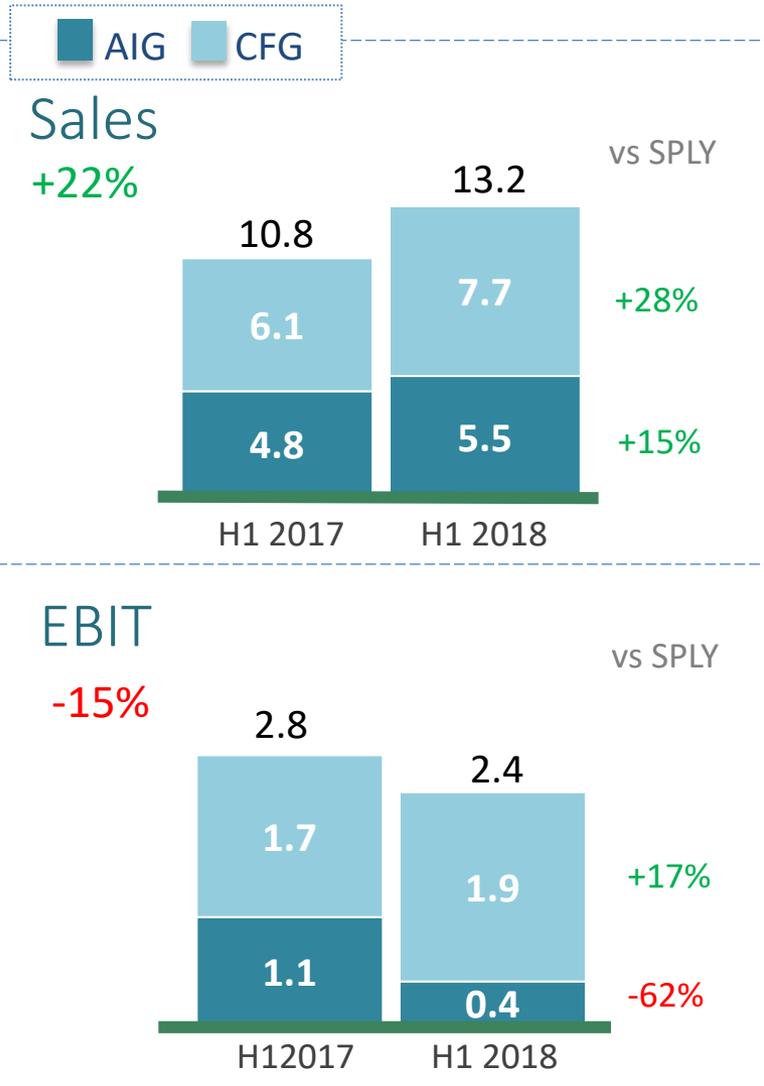


## EBIT Margin



➤ Profitability improved as a result of the recovery in Vietnam and benefits from restructuring in New Zealand

# AIC: Higher volumes in Sugar, Flour & Feeds and better selling prices in Hogs boosted overall topline



## Commodities

- Topline and EBIT growth was driven by higher volumes and average selling prices of Sugar and Flour

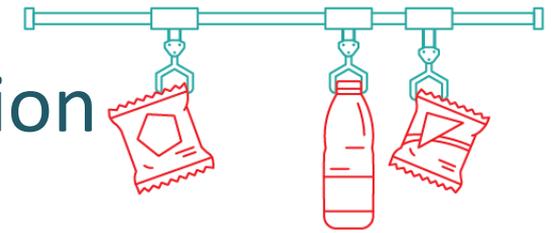
## Agro-Industrial

- Sales grew as a result of higher volumes in feeds and better average selling prices for hogs
- Decline in EBIT as a result of higher cost of input materials

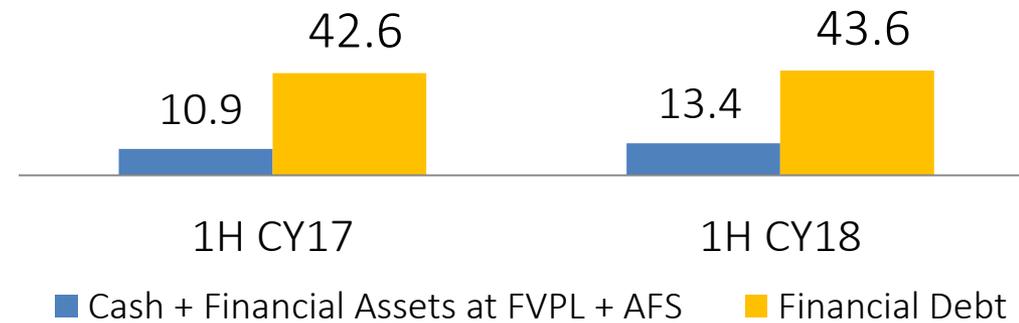


In billion pesos | Non-branded Consumer Foods Group is now called Agro-Industrial and Commodities (AIC)  
AIG EBIT includes revaluation loss of 226M TY coming from farms vs 300M gain LY

# Strong Balance Sheet and Cash Position

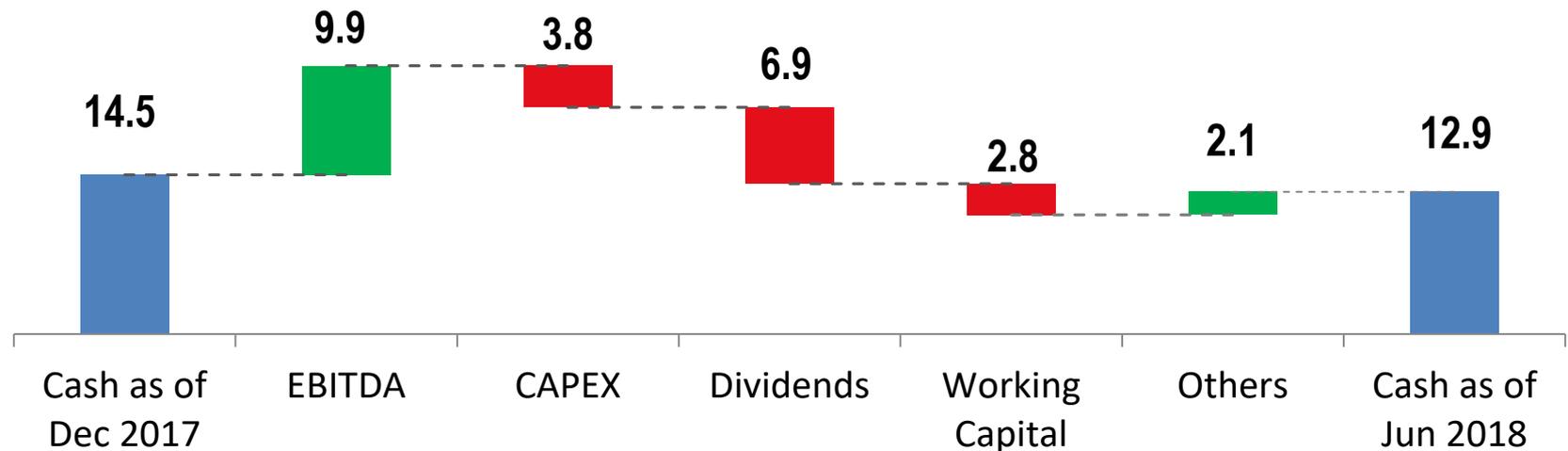


## Cash and Financial Debt

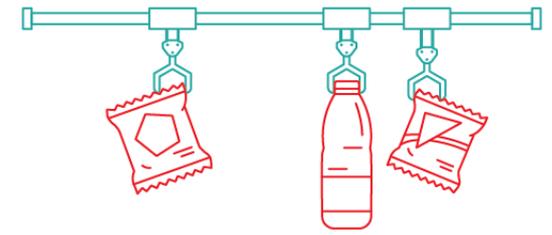


- Net debt of Php 30.3B due to long term debt of AUD 484M used for SBA's acquisition
- Gearing ratio of 0.55
- Major cash disbursements for CAPEX, Dividends payment and working capital

## Cash Position



# Expectation & Plans



We expect the momentum for topline growth to continue in the 2H but margin pressure will remain. FY2018 Guidance revised to Sales growing mid-single digit but Operating Income is now forecasted to be flat

## Key Risks:

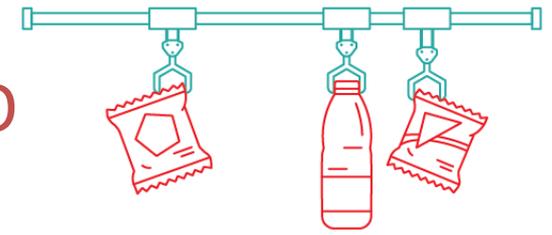
- Macroeconomic environment will continue to remain challenging as inflation and forex devaluation continues to affect demand and impact margins
- Competitive intensity

## BALANCE OF YEAR PRIORITIES: FIX THE BASICS

Coffee	Distribution	Supply Chain
		
<ul style="list-style-type: none"><li>○ Completed diagnosis of brand challenges</li><li>○ Tests underway and timing of execution to be determined.</li></ul>	<ul style="list-style-type: none"><li>○ Key mandate for GM's and Sales Heads is to review their route to market execution</li><li>○ Sharpen the way we engage our modern retail customers and deepen distribution in traditional trade</li></ul>	<ul style="list-style-type: none"><li>○ Continue to rationalize and streamline the portfolio</li><li>○ Realign organization and embed an integrated supply chain organization</li><li>○ Better forecasting, demand and supply network planning to increase order fill rates</li></ul>



# Key Takeaways ... my first 75 days as CEO



## SUCCESSFUL FOUNDER LED COMPANY

**1**

Facing the challenges of complexity when a founders business has grown big

## GOOD CULTURE

**2**

Demanding for results but caring for people, strong focus on quality and safety; non bureaucratic; people are receptive to change and willing to learn;

## HIGH TECHNICAL CAPABILITY

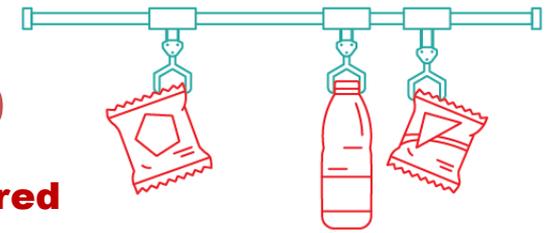
**3**

Very robust technical capability and entrepreneurial approach to innovation; strong focus on quality and safety



# Key Takeaways ... my first 75 days as CEO

**How to transform URC to become a fast, agile and empowered MNC from the Philippines; maintain local-global sweetspot**

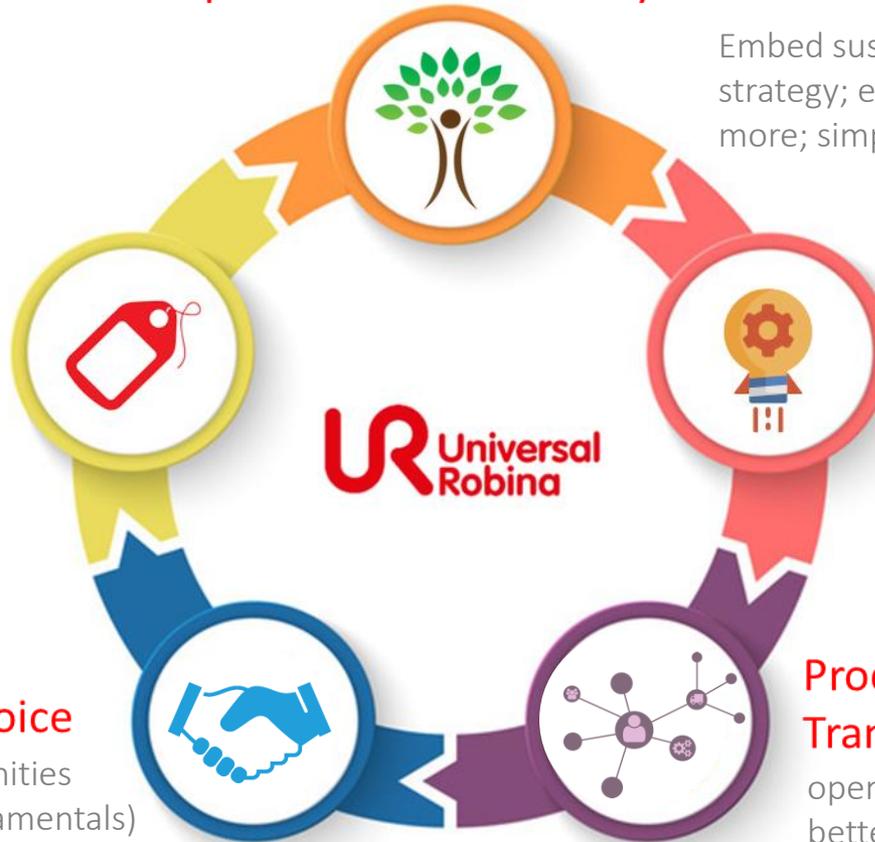


## People and Planet Friendly Culture

Embed sustainability as a core strategy; empower senior people more; simplification of processes

## Portfolio of Brands

Product & portfolio mapping for strategic Expansions (*add legs in countries and growth thru pro-active M&A*)



## Pipeline of Innovation

better innovation processes and marketing capability upgrades

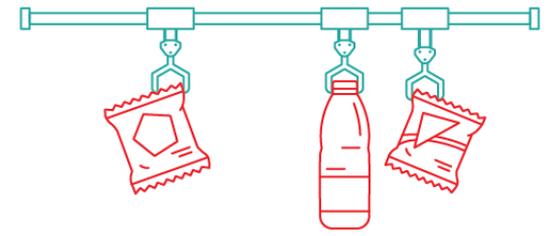
## Product Supply Chain Transformation

operational rigor, better planning and processes, and lean manufacturing

## Partner of Choice

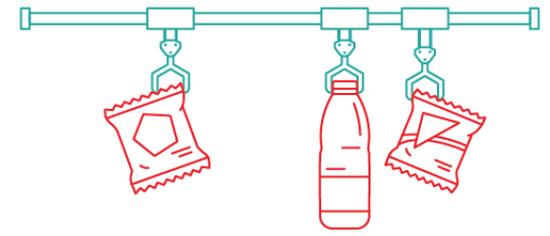
Route to Market Opportunities (back to basics sales fundamentals) and strengthen external relationships with suppliers & joint venture partners





THANK YOU

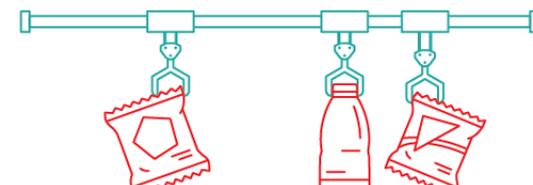




# APPENDIX



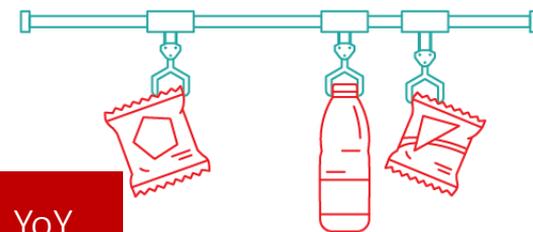
# Balance Sheet



(Php Millions)	As of Jun 2018	As of Dec 2017 (Audited)
Cash & cash equivalents	13,371	14,999
(including Financial assets at FVPL and AFS investments)		
Other current assets	40,592	38,750
Property, plant, and equipment	50,396	48,254
Other noncurrent assets	45,709	45,638
<b>TOTAL ASSETS</b>	<b>150,068</b>	<b>147,641</b>
Current liabilities	31,612	28,000
Noncurrent liabilities	38,780	37,955
<b>TOTAL LIABILITIES</b>	<b>70,392</b>	<b>65,955</b>
Retained earnings	61,113	63,244
Other equity	18,563	18,442
<b>TOTAL EQUITY</b>	<b>79,676</b>	<b>81,686</b>



# Income Statement

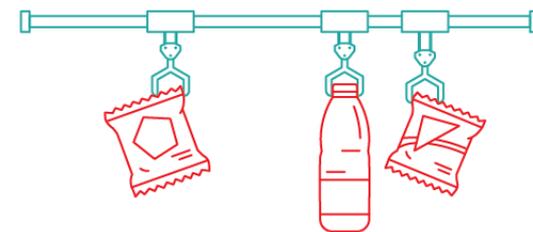


(Php Millions)	1H 2018 (Unaudited)	1H 2017 (Unaudited)	YoY
NET SALES	64,372	60,795	6%
Cost of Sales	44,922	41,539	8%
GROSS PROFIT	19,450	19,257	1%
Operating Expense	(12,665)	(11,642)	9%
OPERATING INCOME	6,786	7,614	-11%
Equity in net income of JVs	(62)	(110)	
Finance cost - net	(588)	(561)	
Other Revenues/ expenses	(130)	151	
CORE EARNINGS	6,005	7,095	-15%
Market valuation gain/ (loss)	(68)	23	
Foreign exchange gain/ (loss) - net	168	741	
INCOME BEFORE INCOME TAX	6,106	7,858	-22%
Provision for Income Tax	1,172	1,472	
NET INCOME	4,934	6,386	-23%
Net income attributable to holders of the parent	4,813	6,255	
EBITDA	9,894	10,698	-8%

- Core earnings driven by lower operating income and other expenses
- Decline in net income was attributable to lower operating income and lower FOREX gain due to a slower pace of peso devaluation versus same period last year



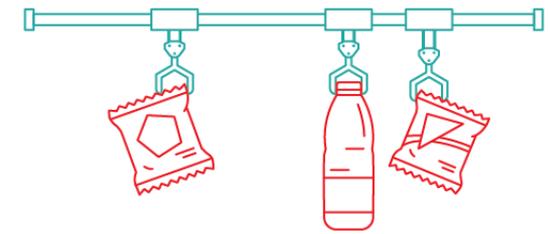
# Divisional Financials



(Php Millions)	SALES			EBIT			EBIT MARGIN		
	H1 2017	H1 2018	YoY	H1 2017	H1 2018	YoY	H1 2017	H1 2018	YoY
<b>Branded Consumer Foods</b>	<b>49,954</b>	<b>51,152</b>	<b>2%</b>	<b>5,804</b>	<b>5,322</b>	<b>-8%</b>	<b>11.6%</b>	<b>10.4%</b>	<b>(121)</b>
Total Philippines	30,000	29,521	-2%	4,738	3,597	-24%	15.8%	12.2%	(361)
Philippines	29,311	28,769	-2%	4,716	3,572	-24%	16.1%	12.4%	(367)
Packaging	688	752	9%	21	25	16%	3.1%	3.3%	19
International	19,954	21,631	8%	1,066	1,726	62%	5.3%	8.0%	264
<b>Agro-industrial and Commodity</b>	<b>10,842</b>	<b>13,220</b>	<b>22%</b>	<b>2,768</b>	<b>2,366</b>	<b>-15%</b>	<b>25.5%</b>	<b>17.9%</b>	<b>(764)</b>
CFG (net)	6,050	7,731	28%	1,666	1,947	17%	27.5%	25.2%	(236)
Flour	1,745	1,915	10%	495	451	-9%	28.4%	23.5%	(484)
SURE	4,305	5,816	35%	1,171	1,496	28%	27.2%	25.7%	(148)
AIG (net)	4,791	5,489	15%	1,102	419	-62%	23.0%	7.6%	(1,536)
Feeds	2,481	3,046	23%	435	408	-6%	17.5%	13.4%	(413)
Farms	2,311	2,443	6%	667	11	-98%	28.9%	0.4%	(2,842)
<b>Corporate Expense</b>				<b>(957)</b>	<b>(902)</b>	<b>-6%</b>			
<b>Total URC</b>	<b>60,795</b>	<b>64,372</b>	<b>6%</b>	<b>7,614</b>	<b>6,786</b>	<b>-11%</b>	<b>12.5%</b>	<b>10.5%</b>	<b>(198)</b>



# Value Market Shares



## Philippines

CATEGORY	MARKET SHARE	#1	#2	#3
Snacks	34.7%	URC	22.9%	5.5%
Candies	26.8%	URC	11.9%	11.0%
Chocolates	24.0%	URC	11.5%	9.3%
Biscuits	16.8%	29.8%	26.4%	URC
Cup Noodles	50.0%	URC	41.1%	4.8%
RTD Tea	84.6%	URC	2.7	2.3
Coffee	24.9%	37.1%	33.8%	URC
Instant Coffee	26.4%	70.3%	URC	1.7%
Coffee Mixes	24.6%	40.4%	30.6%	URC

## Thailand

CATEGORY	MARKET SHARE	#1	#2	#3
Biscuits	26.7%	URC	11.3%	7.2%
Wafers	27.1%	URC	11.3%	7.3%

## Vietnam

CATEGORY	MARKET SHARE	#1	#2	#3
RTD Tea	15.2%	52.2%	15.6%	URC
Energy Drink	2.4%	44.0%	26.0%	17.6%

## New Zealand

CATEGORY	MARKET SHARE	#1	#2	#3
Sweet Biscuits	42.2%	URC	20.2%	13.5%
Crackers	19.7%	31.0%	URC	13.6%

## Australia

CATEGORY	MARKET SHARE	#1	#2	#3
Salty Snacks	25.1%	54.9%	URC	4.6%

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

URC Thailand: Biscuits and Wafers Jun 2018, URC Vietnam: RTD Tea, Energy Drink - Jun 2018

New Zealand: Sweet Biscuits and Crackers-IRI MarketEdge NZ Grocery MAT 24 June 2018; Australia: Aztec Scan AUS Grocery MAT to 10/6/18