



9M CY2020

Unaudited Results
Investor Briefing

October 22, 2020

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President and CEO

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Senior Vice President



OUR AGENDA

- 1.) Covid-19 Market Landscape
- 2.) 9M CY2020 Unaudited Financial Results
- 3.) Recovery & Strategy Updates
- 4.) Restructuring & Acquisition Updates



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COVID-19 Market Landscape

Consumer sentiment negative in PH

Recovery after the hard lockdown is not happening as expected

Going forward, consumers will enter the last three months of 2020 with bleak outlook after the index plunged to -4.1%. To make matters worse, household spending outlook deteriorated to a record-low of 26.4% for the fourth quarter, indicating that consumer spending will likely contract at a time consumption was typically high during holiday season.

Meanwhile, companies are less buoyant for the next quarter after the index dropped to a reading of 16.8%. The sour business outlook is expected to persist in the next 12 months, with the index declining to 37.5%.

4.6M Filipinos jobless in July as unemployment worsens in Metro Manila – PSA



This August 3, 2020, photo shows shoppers roaming around a supermarket in Quezon City. The STAR/Miguel de Guzman

Pandemic smashes consumer, business confidence in third quarter



Ian Nicolas Cigaral (Philstar.com) - September 24, 2020 - 8:09pm

PHILIPPINE ECONOMY

OFW remittances fall in August 2020 as pandemic wipes out jobs worldwide

OCT 15, 2020 3:56 PM PHT
RALF RIVAS

A photograph of several Overseas Filipino Workers (OFWs) at an airport. They are wearing face masks and carrying luggage, including backpacks and rolling suitcases, as they prepare for travel.

Economics

Philippines Plunges Into Recession and Cuts 2020 GDP Outlook

By [Claire Jiao](#) and [Cecilia Yap](#)

August 6, 2020, 10:03 AM GMT+8 Updated on August 6, 2020, 12:05 PM GMT+8

- ▶ Economy shrank 16.5% on-year in second quarter, most on record
- ▶ Government reimposed Manila lockdown this week on virus spike

LIVE ON BLOOMBERG
Watch Live TV >
Listen to Live Radio >

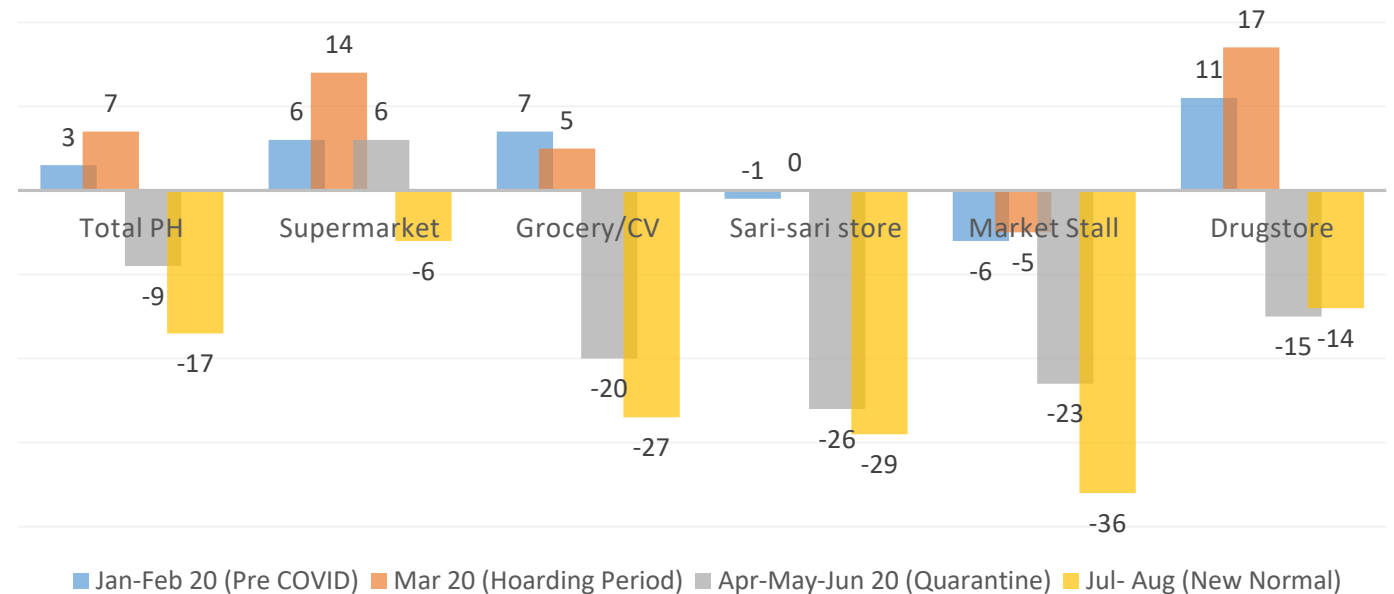
The Bloomberg logo and a small, partially visible image of a person in a white shirt.

COVID-19 Market Landscape

Channels & Categories - PH

- Overall demand in most channels declining over the past 2 quarters, with Traditional Trade and Convenience Stores being worst hit
- Supermarkets remained resilient in Q2 but began declining in Q3 as general consumer sentiment weakened
- Categories where we play have experienced slowdowns due to the shift from out-of-home to in-home consumption, as well as the discretionary/impulse nature of those products

Total FMCG less CIG | Volume Growth | Jan – Aug 2020



Source: Nielsen Retail Index as of Aug 2020

Pasta	+7	Snacks	-7	Coffee Mixes	-10
Coffee Soluble	+6	Biscuits	-9	RTD Tea	-27
Instant Noodles	+1	Chocolates	-10	Packaged Water	-33

OUR AGENDA

- 1.) Business Updates:
- 2.) 9M CY2020 Unaudited Financial Results
- 3.) Balance of the Year Plans
- 4.) Restructuring & Acquisition Updates



URC Profits continue strong growth. Sales hold despite market decline.

- Flattish sales, with share gains offsetting market declines and deterioration in consumer sentiment.
- Better mix and cost management contribute to continued growth in profits and margins.

	Q1	Q2	Q3	9M
SALES	▲ 0.4%	▲ 1%	▼ 1%	-
CY 2020	33.5	34.0	32.4	99.8
CY 2019	33.3	33.7	32.7	99.8
EBIT	▲ 0.4%	▲ 16%	▲ 8%	▲ 8%
CY 2020	4.0	4.3	3.7	11.9
CY 2019	4.0	3.7	3.4	11.0
Margins	11.9%	12.6%	11.4%	11.9%
BPS	--	+169	+94	+88

- In billion pesos
- 2020 and 2019 numbers reflects the application of PFRS 16 and 15

Sustained profit growth despite weaker consumer sentiment in Q3

SALES

- Sales flattish despite strong market share gains
- Retail trade and market slowdown across categories post Covid-19 lockdown peak
- Traditional trade remains challenged

EBIT

- Improvement in profits and margins driven by better price/cost mix
- Investments in innovation and A&P accelerated in Q3

	Q1	Q2	Q3	9M
SALES	▲ 3%	▲ 1%	▼ 2%	▲ 1%
CY 2020	15.7	15.7	15.2	46.5
CY 2019	15.2	15.5	15.5	46.2

EBIT

	Q1	Q2	Q3	9M
EBIT	▲ 17%	▲ 10%	▲ 8%	▲ 12%
CY 2020	2.4	2.1	2.1	6.6
CY 2019	2.1	1.9	1.9	5.9

Margins	15.3%	13.5%	13.7%	14.2%
BPS	+183	+111	+130	+142

- In billion pesos | Excluding packaging
- 2020 and 2019 numbers reflects the application of PFRS 16 and 15
- Note that Sales & EBIT of exports to non-affiliates from the Philippines was removed for both CY2019 and CY2020 and now treated as part of URC International

URC performs ahead of market and gains shares

	Category YTD Growth (Nielsen)	URC YTD Growth (Net Sales Value)	2019 YTD Market Share (Nielsen)	2020 YTD Market Share (Nielsen)	
Snacks	-7%	+4%	35.5%	38.4%	↑
Biscuits	-9%	+6%	16.1%	16.4%	↑
Cakes	-6%	+11%	6.2%	7.2%	↑
Candies	-25%	-11%	26.4%	27.6%	↑
Chocolates and Coated Wafers	-9%	+7%	20.7%	21.8%	↑
Coffee	-8%	+1%	22.2%	22.7%	↑
RTD Tea	-27%	-23%	82.7%	86.3%	↑
Noodles	+1%	+19%	19.8%	21.1%	↑

Notes:

- Nielsen category growth rates as of August 2020
- URC YTD Net Sales Value growth rates as of September 2020
- Nielsen market shares as of August 2020

Decline abates as Oceania continues to grow while Vietnam recovers

SALES

- Q3 Sales grow +4% in constant currency. FX negative impact by -5 growth points.
- Oceania continue to generate positive performance
- Vietnam recovers with double digit growth driven by the performance of C2

EBIT

- Similar to sales, profits and margins declined in Q3 mainly due to FX (-488bps)
- Australia also impacted by planned plant shutdown and drought related costs

	Q1	Q2	Q3	9M
SALES	▼ 8%	▼ 11%	▼ 1%	▼ 7%
CY 2020	9.7	9.3	11.0	30.0
CY 2019	10.5	10.4	11.2	32.1

In Constant Currency

Oceania*	+19%	+5%	+3%	+8%
Vietnam	-36%	-32%	+11%	-19%
Thailand	-11%	+1%	-2%	-4%

EBIT	▼ 26%	▲ 20%	▼ 7%	▼ 6%
CY 2020	0.8	1.0	1.0	2.9
CY 2019	1.1	0.9	1.1	3.0
Margins	8.2%	11.2%	9.2%	9.5%
BPS	-207	+288	-54	+4

- In billion pesos
- 2019 and 2020 numbers reflects the application of PFRS 16 and 15
- *includes Yarra Valley Sales

AIC

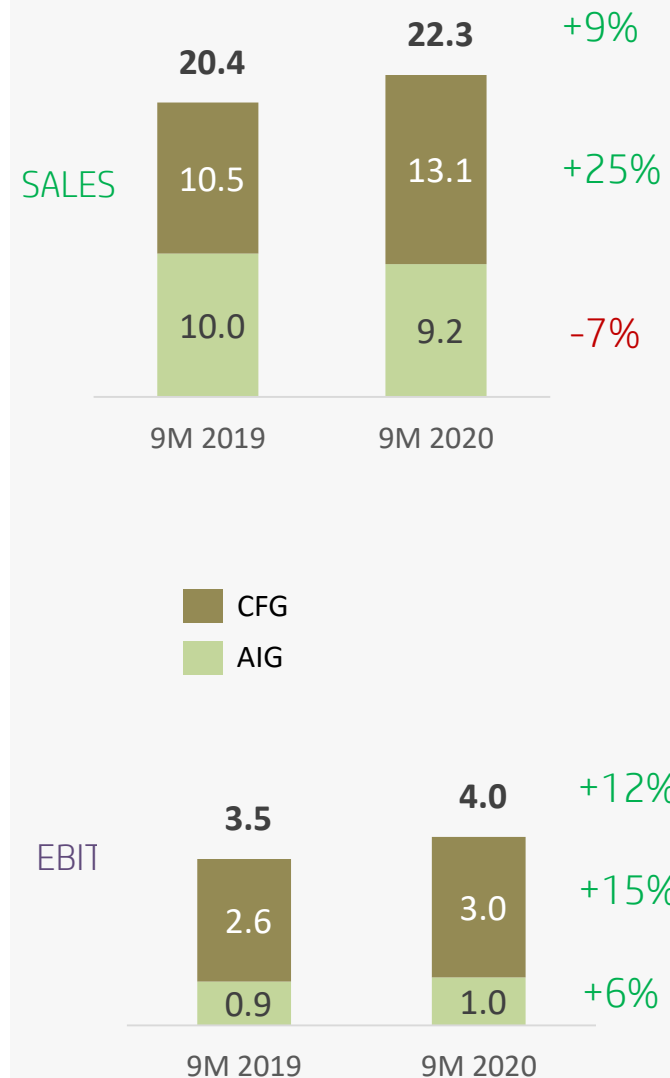
Strong performance in Sugar & Flour offsets Farms downsizing

SALES

- Topline driven by higher volumes in Sugar and Flour
- Decrease in AIG driven by lower volumes in Robina Farms (as an effect of downsized operation) and Animal Nutrition and Health

EBIT

- Profit growth is driven by higher volumes in Sugar, lower input cost for Flour and higher average selling prices in Animal Nutrition and Health



BUSINESS UNIT PERFORMANCE

Commodity Foods Group (CFG)

SURE +31%

FLOUR +11%

Agro-Industrial Group (AIG)

ROBINA FARMS -23%

ANH -0.4%

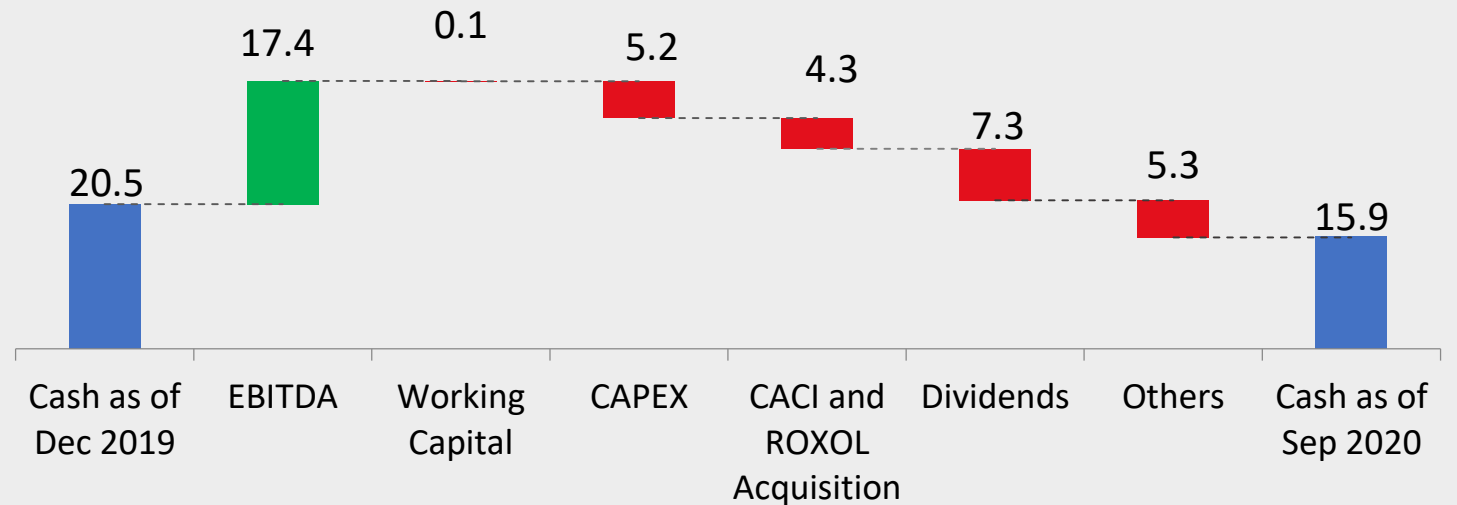
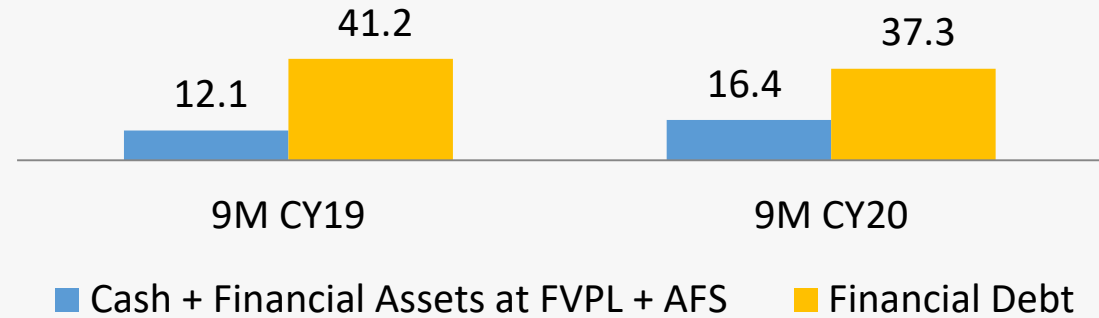
- In billion pesos | Non-branded Consumer Foods Group is now called Agro-Industrial and Commodities (AIC)
- Feeds is now called Animal Nutrition & Health (including Pet Food) | Farms is now called Robina Farms

Balance Sheet & Cash Flows

Strong Balance Sheet and Cash Position

- Php 15.9B Cash balance – very healthy and above historical levels
- Net Debt of Php 20.9BN, an Php 8.3B improvement versus a year ago due to lower debt and remaining proceeds from the Intersnack sale.
- Gearing ratio of 0.39
- Major cash disbursement for CAPEX, acquisition of business and dividends payment
- La Carlota settlement amounting to Php 4.9BN (inc VAT)

Cash and Financial Debt*



In billion pesos

**As of Sep 2020 versus Sep 2019*

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RECOVERY & STRATEGY UPDATES



Products and Brands People Love

IPM 2020; Brands with Purpose; New Consumer Trends, Insight to Action, Protect the Core



People and Planet Friendly Culture

Safety, People Productivity, New Workplace, Accelerate Digital, Quality/Health & Safety Enhancement; Sustainability Savings



Product Supply Chain Transformation

LEAN Acceleration; Logistics Transformation; Supply Network Re-Design

Preferred Partner of Choice

Shift in Modern Retail; Distribution Expansion models; Route to Market availability and Service; eCommerce/sCommerce/DTC; Supplier Base Flexibility; Omni-channel

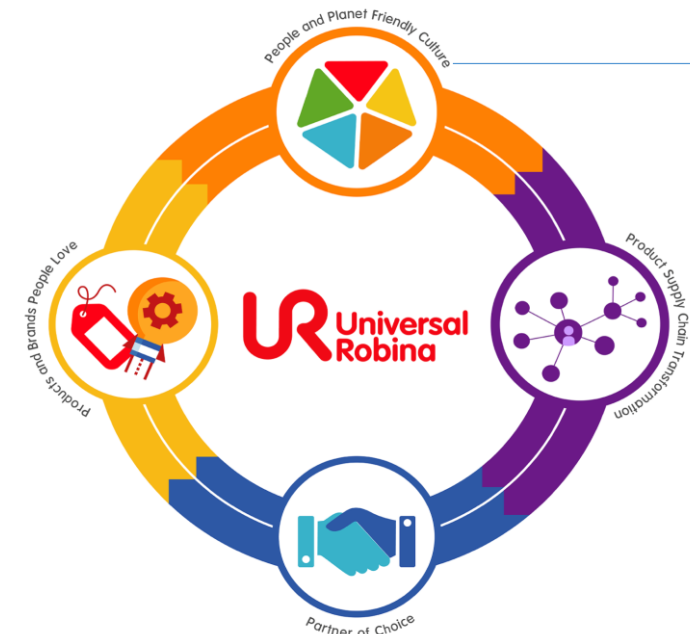
RECOVERY & STRATEGY UPDATES



People and Planet Friendly Culture

1 NEW WORLD OF WORK

People Productivity, New Workplace, Accelerate Digital



People



Space



Technology

Purpose, Values and Ambition (PVA)

Open-connectivity

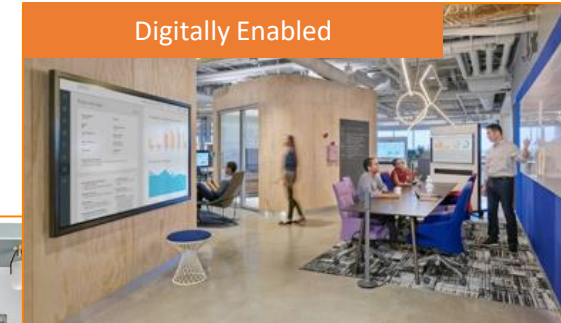


Innovation hub per floor

Quiet Zones



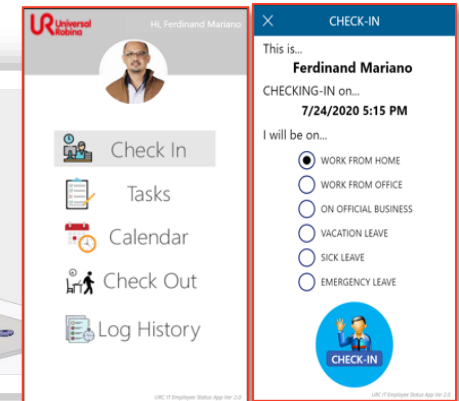
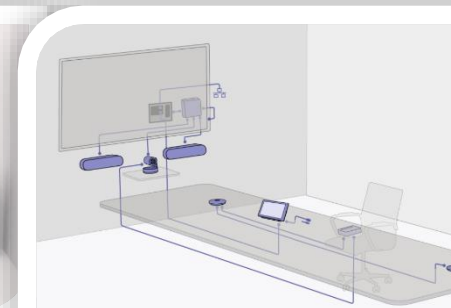
Digitally Enabled



Accessible dashboards



Equip meeting rooms with Teams-enabled devices



ESG Updates: We continue to improve on our sustainability commitments



People

OUR PEOPLE

GROWTH IN TALENT

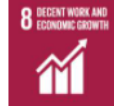


15

Average training hours per employee

As of Sep 2020, we are average of 15 training hours as we started adapting to new training methodologies such as digital learning.

SAFETY



Lost Time Injury Frequency Rate²

-30%

All Injury Frequency Rate²

-5%

OUR COMMUNITIES¹

EDUCATION



1.) Flourish Pilipinas
2.) Kabalikat Program

NUTRITION



1.) Sustainable Potato Program
2.) SAGANA Sustansya

ENVIRONMENT



1.) Coastal Cleanup
2.) Tree Planting



Natural Resources

ENERGY



2019¹ -6%
2020² - Flat

WATER



2019¹ -11%
2020² -4%

Our Progress

Our energy use ratio (EUR) as of August is flat versus same period last year. The impact of pandemic was felt as we continue to scale our business and optimize our resources with initiatives that drives more efficient use of energy.

We improved water use efficiency by reducing water use ratio (WUR) by -4% or equal to 5.5 m³/metric ton.



Coverage: Manufacturing facility in PH, INT and Flour



Our Products

QUALITY



Certified 11 Plants with FSSC 22000 as of Sep 2020

Our Progress

As of Sept 2020, we have an existing FSSC (Food Safety System Certification) to 11 URC plants from Thailand, Vietnam, and Philippines.



PORTFOLIO

We made improvements in the nutrition & wellness profile of our product portfolio aligned to the URC Wellness Criteria.

As of YTD August 2020,

More than **80%** passed 1 URC Wellness Criteria

More than **60%** passed 2 URC Wellness Criteria

PACKAGING¹



More than **75%** of our packaging are recycle ready

¹CY2019 Improvement vs baseline in CY 2018

²YTD Aug 2020 vs YTD Aug 2019

Governance Update:

Strengthening our Board Diversity and Management Team

URC Board of Directors

- 4 out of 9 now independent
- 2 female directors



Rizalina G. Mantaring
Independent Director



Christine M.B. Angco
Independent Director

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Central Azucarera de la Carlota Inc. (CACI) and Roxol Bioenergy Corporation (RBC)



This is an asset acquisition amounting to Php 4.9B (with VAT). We anticipate to add Php 4.0B in sales and Php 600M of EBITDA before synergies.

I. SUGAR MILLING: Central Azucarera de la Carlota Inc. (CACI)

 Increase URC total market share in the Philippines **+700bps to 24%**

II. Bioethanol : Roxol Bioenergy Corporation (RBC)

 Increase URC total market share in the Philippines **+1,000 bps to 21%**

Based on total local production

Our Plans Moving Forward:

- 1 Support planters towards inclusive growth
- 2 Improve operational efficiency



Restructuring Updates

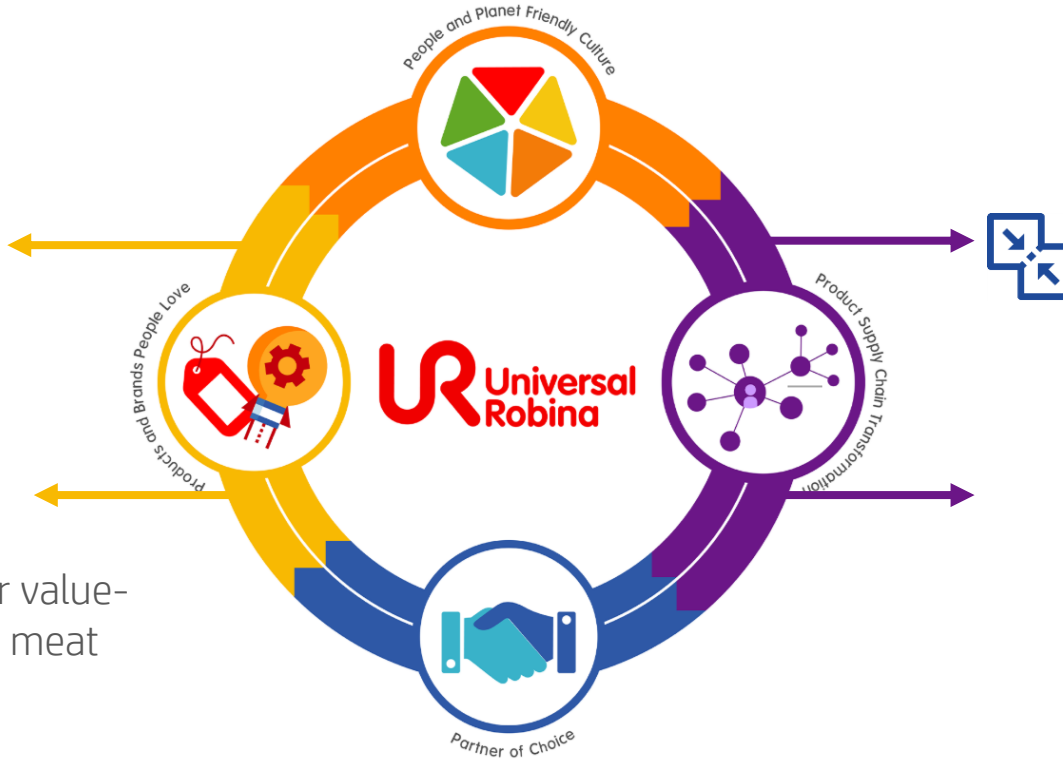


Farms Downsizing



- Php 0.3B started in 2019
- Php 0.5B additional in 2020

Focus our portfolio towards higher value-added and more stable processed meat business.



Supply Chain Consolidation



Australia phase 1 on track for 2020 completion

- Php 0.5B started in 2019



Philippines phase 1 in 2021/2022



THANK YOU



Income Statement



(Php Millions)	9M 2020 (Unaudited)	9M 2019 (Unaudited)	YoY
NET SALES	99,773	99,785	0%
Cost of Sales	69,160	70,162	-1%
GROSS PROFIT	30,613	29,623	3%
Operating Expense	-18,702	-18,591	1%
OPERATING INCOME	11,911	11,032	8%
Equity in net income of JVs	-42	-39	
Finance cost – net	-836	-974	
Other revenues/ expenses	-204	-201	
CORE EARNINGS	10,829	9,818	10%
Market valuation gain/ (loss)	10	32	
Foreign exchange gain/ (loss) – net	-699	-1,098	
Other non-core revenues/expense	-516	-4	
INCOME BEFORE INCOME TAX	9,624	8,748	10%
Provision for Income Tax	1,485	1,475	
NET INCOME	8,139	7,273	12%
Net income attributable to holders of the parent	7,498	6,997	7%
EBITDA	17,424	16,547	5%

- Increase in net income was attributable to higher operating income driven by lower cost of sales and flat operating expenses as well as lower forex losses
- Other non-core revenues/ expenses includes restructuring expense of PHP 515MN

Full P&L include market revaluation gain/loss for Farms
2020 and 2019 numbers reflects the application of PFRS 16 and 15 along with its impact to Sugar

Balance Sheet

(Php Millions)	9M 2020 (Unaudited)	CY 2019 (Audited)
Cash & cash equivalents (including Financial assets at FVPL and FVOCI)	16,411	20,975
Other current assets	44,606	43,945
Property, plant, and equipment	58,357	54,626
Other noncurrent assets	51,406	49,107
TOTAL ASSETS	170,780	168,653
Current liabilities	51,617	34,933
Noncurrent liabilities	23,124	38,535
TOTAL LIABILITIES	74,741	73,468
Retained earnings	67,199	66,644
Other equity	28,840	28,541
TOTAL EQUITY	96,039	95,185

*2020 and 2019 numbers reflect the application of PFRS 16

Divisional Financials



(Php Millions)	SALES			EBIT			EBIT MARGIN		
	9M 2020	9M 2019	YoY	9M 2020	9M 2019	YoY	9M 2020	9M 2019	bps
Branded Consumer Foods	77,432	79,338	-2%	9,455	8,890	6%	12.21%	11.21%	101
Total Philippines	47,396	47,213	0%	6,601	5,851	13%	13.93%	12.39%	153
Philippines	46,536	46,205	1%	6,593	5,889	12%	14.17%	12.74%	142
Packaging	860	1,007	-15%	8	-38	-121%	0.91%	-3.75%	466
International	30,036	32,126	-7%	2,854	3,039	-6%	9.50%	9.46%	4
Agro-industrial and Commodity	22,341	20,447	9%	4,000	3,561	12%	17.90%	17.42%	49
CFG (net)	13,119	10,484	25%	2,992	2,608	15%	22.81%	24.87%	-207
Flour	3,581	3,222	11%	856	673	27%	23.91%	20.90%	301
SURE	9,538	7,262	31%	2,136	1,935	10%	22.39%	26.64%	-425
AIG (net)	9,222	9,963	-7%	1,008	954	6%	10.93%	9.57%	136
Animal Nutrition and Health	6,805	6,832	0%	1,030	850	21%	15.14%	12.44%	270
Robina Farms	2,416	3,131	-23%	-22	104	-122%	-0.92%	3.31%	-423
Corporate Expense				-1,544	-1,419	9%			
Total URC	99,773	99,785	0%	11,911	11,032	8%	11.94%	11.06%	88

*EBIT and margins include revaluation gains/loss of our biological assets for the Robina Farms Division

Market Shares



Philippines

CATEGORY	MARKET SHARE	#1	#2	#3
Snacks	37.6%	URC	21.6%	5.1%
Candies	26.8%	URC	12.7%	10.7%
Chocolates and Coated Wafers	21.7%	URC	13.8%	9.4%
Biscuits	16.2%	29.1%	25.4%	URC
Cup Noodles	49.1%	URC	38.1%	7.6%
RTD Tea	85.2%	URC	2.2%	1.8%
Coffee	22.7%	36.3%	35.5%	URC
Instant Coffee	21.5%	75.4%	URC	1.6%
Coffee Mixes	23.0%	43.5%	27.5%	URC

Thailand

CATEGORY	MARKET SHARE	#1	#2	#3
Biscuits	22.3%	URC	10.5%	6.6%
Wafers	22.6%	URC	11.7%	9.5%

Vietnam

CATEGORY	MARKET SHARE	#1	#2	#3
RTD Tea	16.3%	48.1%	18.7%	URC

New Zealand

CATEGORY	MARKET SHARE	#1	#2	#3
Sweet Biscuits	40.1%	URC	20.9%	13.0%
Crackers	19.9%	30.1%	URC	12.1%

Australia

CATEGORY	MARKET SHARE	#1	#2	#3
Salty Snacks	24.5%	52.3%	URC	5.8%

AC Nielsen, Value, MAT: Snacks, Candies, Chocolates and Coated Wafers, Biscuits, RTD Tea, Coffee and Cup Noodles as of Aug 2020

URC Thailand: Biscuits and Wafers – MAT Sep 2020, URC Vietnam: RTD Tea – MAT Sep 2020

New Zealand: Sweet Biscuits and Crackers-IRI MarketEdge NZ Grocery MAT 27 Sept 2020; Australia: Aztec Scan AUS Grocery MAT to 30/8/20