



# CENTURY PACIFIC FOOD, INC.



## CENTURY PACIFIC ACQUIRES INTEGRATED COCONUT PRODUCER

### Overview

Century Pacific Food, Inc. (PCOMP: CNPF) acquires a 100% interest in Century Pacific Agricultural Ventures, Inc. (“CPAVI”), an integrated coconut producer of high value organic-certified and conventional coconut products for both export and domestic markets.

Total consideration for 100% of CPAVI will be Php4.5 billion, a meaningful discount to CPAVI’s value based on discounted cash flows and peer benchmarking of listed comparables.

The acquisition is estimated to be 7 to 8% 2016 earnings per share accretive<sup>1</sup> and will improve the consolidated company’s net profit margins.

Funding for the transaction will be 50% cash and 50% new shares. CNPF will issue 128.2 million primary shares at a price of Php17.55 each, equivalent to a 4.41% premium from CNPF’s 30-day volume weighted average price of Php16.81 per share as of 26 October 2015, and a 3.85% premium from its 26 October 2015 closing price of Php16.90.

The balance of Php2.25 billion will be sourced from existing cash and bank borrowings.

CNPF shares are being issued at a premium to demonstrate CPGI’s confidence in the combined CPAVI and CNPF businesses. As of September 30, 2015, CPGI owns 72.2% of CNPF. Post-acquisition, it increases its stake to 73.7%.

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<sup>1</sup> Based on estimates of CNPF 2016 net income and EBITDA

### Process

Prior to the acquisition, CPAVI was a wholly owned subsidiary of Century Pacific Group, Inc. (“CPGI”) which is also the parent company of CNPF.

While a related party transaction, CNPF nevertheless embarked on a comprehensive due diligence process to assess the financial merits of acquiring CPAVI.

CNPF engaged Evercore Asia Limited to act as its financial advisor, Cayetano Sebastian Ata Dado & Cruz Law Offices to conduct legal due diligence, and BDO Capital & Investment Corporation to provide a third party fairness opinion.

### About CPAVI

CPAVI was established in August 2012 as a wholly-owned subsidiary of CPGI. It operates an integrated coconut facility, whose primary products are organic-certified, and conventional coconut water, desiccated coconuts, and virgin coconut oil.

The coconut water and virgin coconut oil are sold to global brands and retailers in their respective categories. Other current products include copra, coco meal, and coco shells, which are sold to the domestic market.

It also has other coconut-based products under development.

CPAVI’s manufacturing facilities and quality systems are compliant and certified by leading and reputable local and international agencies, including GMP, HACCP, BRC, Halal and Kosher. It is also organic certified for the US, EU, Korea and Canada market.

### Rationale

The acquisition of CPAVI by CNPF represents an exciting milestone for both companies. Capitalizing on global health and wellness trends, CPAVI is expected to bring long-term strategic benefits and provide an additional base of growth for CNPF.

CPAVI has demonstrated consistent profitability over the years as it enjoys comparatively lower variable costs versus other global competitors. It is strategically located where coconut supply is abundant and sustainable. CPAVI is also covered by multi-year agreements with major customers, thereby ensuring continued business and revenue growth.

This acquisition is in line with CNPF's priority to cement itself as a leading player in growing food markets. Global food companies have seen an increased appetite to search for acquisition targets in this higher growth, health-conscious, and organic product categories.

"The global trend towards healthy and organic coconut products is growing rapidly in developed economies like the US and Europe. This is an area where Philippine industry has an advantage and can be globally competitive" said CNPF's President, Christopher Po.

He also added, "We think this new business will be a great addition to Century Pacific Food, Inc's portfolio and another leg to sustain and drive the company's future growth."

CPAVI's operations also fits into CNPF's core business, complementing its product portfolio by increasing the combined company's "share of stomach" and leveraging on existing capabilities in the manufacture of low acid products.

CPAVI can also benefit from CNPF's expertise in private label export and dealing with international food rules and regulations.

"CNPF has long been successful in launching and nurturing new products, new brands, and bolting on businesses within their core competence of food. They are also disciplined buyers who have been careful in creating value by entering high growth areas and by not over paying when acquiring. This acquisition is a combination of all, when one factors the profit margins, the competitive advantage, the product category, and the future prospects." said Stephen CuUnjieng, Chairman of Evercore Asia.

#### About CNPF

Century Pacific Food, Inc. operates as the largest canned food company in the Philippines, primarily engaged in the development, marketing, and distribution of processed fish, meat, and dairy products.

CNPF's brands include Century Tuna, Argentina Corned Beef, 555 Sardines, Angel, and Birch Tree, which have established market leading positions locally. It also provides private label tuna products for export overseas. CNPF saw first half net profits grow by 30 percent year-on-year on the back of a 17 percent increase in revenues due to boosted demand for its food products. It has also maintained its strong balance sheet position and has not incurred any interest bearing liabilities as of June 30, 2015.

Post-acquisition of CPAVI, CNPF is expected to have a Total Debt / 2016 EBITDA ratio of 0.6x.

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