



# CENTURY PACIFIC FOOD, INC.

(PSE: CNPF)

## CORPORATE PRESENTATION

NOVEMBER 2017



# Company Overview

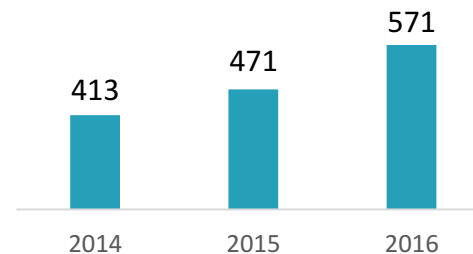


## Snapshot

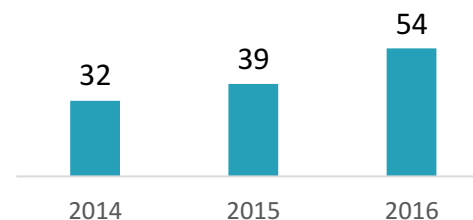
- **Century Pacific Food, Inc** is the largest canned food company in the Philippines
- Over its 40 year operating history, it has built a portfolio of leading and well recognized brands in three core segments - marine (37% of sales), meat (27% of sales) and milk (11% of sales). It is also the Philippines' leading exporter of OEM tuna (15% of sales) and OEM coconut products (10% of sales).
- The Company listed on the Philippine Stock Exchange in 2014, under the trading symbol CNPF. It currently has a market capitalization of about USD1.2 billion.
- **Production facilities:** 6 manufacturing facilities across the Philippines, strategically located adjacent to supply sources (Tuna and Coconut in General Santos City, Meat in Laguna City, Dairy in Taguig City, Sardines in Cavite and Zamboanga City)
- **Key Management:** Christopher T. Po, President and CEO – 14 years at CNPF (8 years as CEO), 11 years of prior multi-industry experience; Teodoro T. Po, EVP and COO – 25 years experience of running various business units in CNPF; Oscar A. Pobre, CFO – 20 years in CNPF's corporate finance, treasury, accounting and controllership

## Full-Year Financials

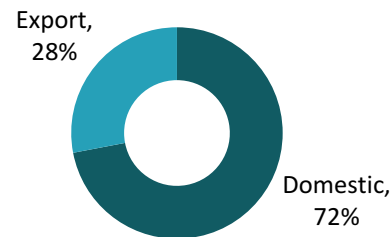
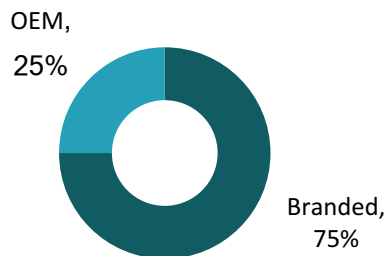
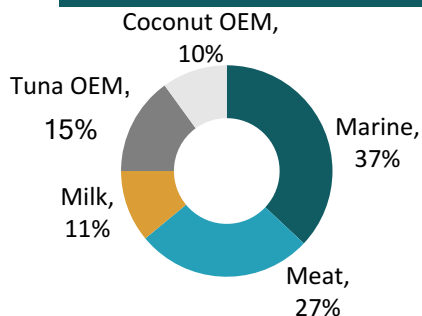
Revenues (in USD Mill)



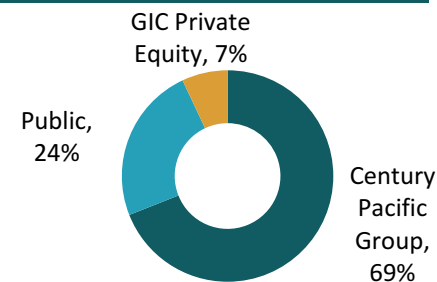
Net Income (in USD Mill)



## 2016 Revenue Breakdown



## Ownership Structure

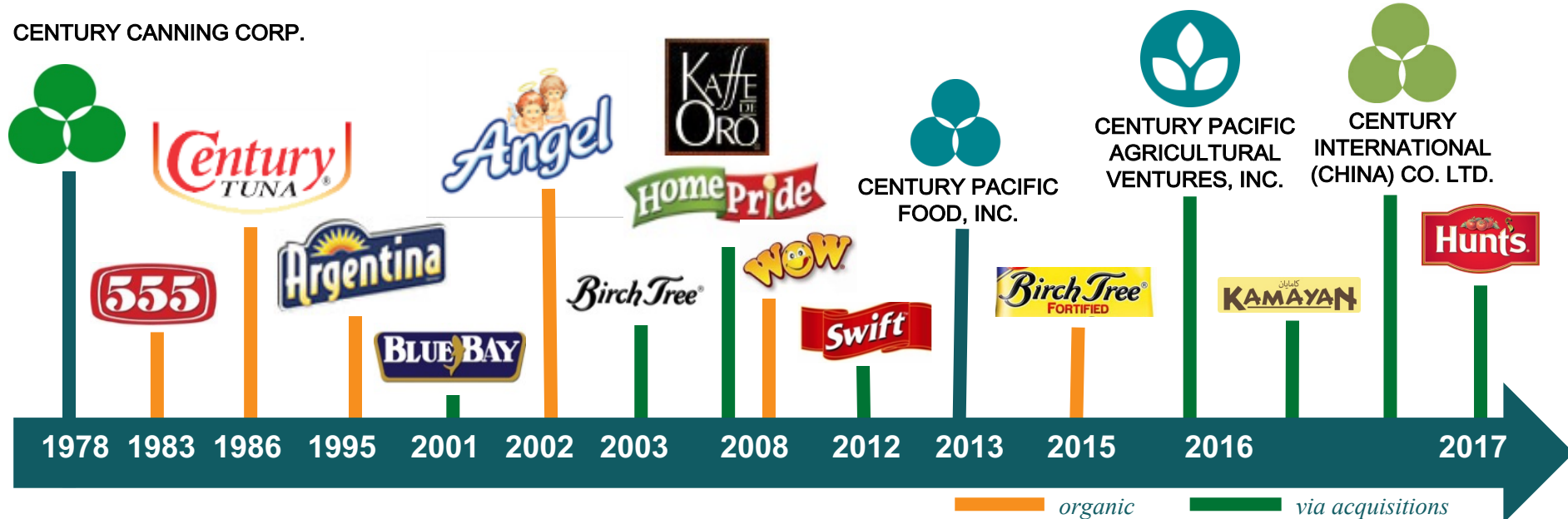


# Company Milestones



## Proven track record in brand-building

CENTURY CANNING CORP.



|   |  |   |   |  |                                |
|---|--|---|---|--|--------------------------------|
| 2011  | 2011 to 2013, 2015 to 2016                               | 2014  | 2016                                      | 2016                                   | 2016                           |
|   |  |   |   |  |                                |
| Century Canning Marketing Company of the Year | Century Tuna and Argentina Reader's Digest Trusted Brand | Gregory Banzon Awardee for Marketing Excellence | CNPF Asia's Marketing Company of the Year | CNPF Philippines' Best Managed Company | CNPF Philippines' Best Company |

# Investment Highlights



1

## Market Leadership

- Dominates the canned tuna and canned meat categories locally\*, with a growing presence in milk
- Company's brands are the brands of choice for Filipino consumers

2

## Multiple Brands & Products

- A broad product portfolio catering to different tastes and needs to capture a larger share of consumers' wallet and stomach
- Diversification of risk and input price exposures

3

## Strong Focus on Marketing and Innovation

- Innovative marketing campaigns to create must-have and aspirational brands
- Strong R&D process to launch products and improve profitability

4

## Extensive Market Penetration and Distribution

- Products available in 760,000 points of sale locally (*source: Nielsen*)
- A growing network of food service and international accounts

5

## Trusted Partner for International Customers

- Long-standing relationships with large international private label customers, initially just for tuna, but now also for various coconut products

\*Source: Nielsen

# Well-positioned to take advantage of rising consumer demand



## To support an emerging middle class

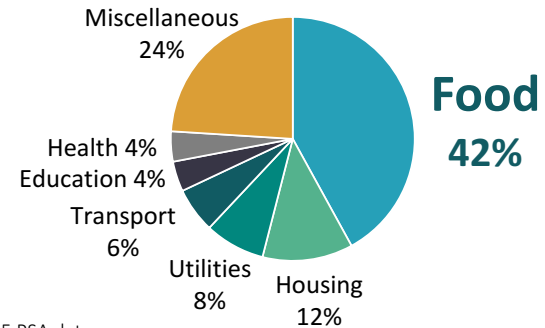
Distribution of Families and Income

| SE CLASS     | % share of Families | % share of Income | Annual income in Php |
|--------------|---------------------|-------------------|----------------------|
| AB           | 1                   | 9                 | 1,857,000            |
| C            | 9                   | 26                | 603,000              |
| D            | 60                  | 56                | 191,000              |
| E            | 30                  | 9                 | 62,000               |
| <b>Total</b> | <b>100</b>          | <b>100</b>        | <b>206,000</b>       |

Source: BPI Securities, Social Weather System Survey 2016

## Food accounting for bulk of family expenditure

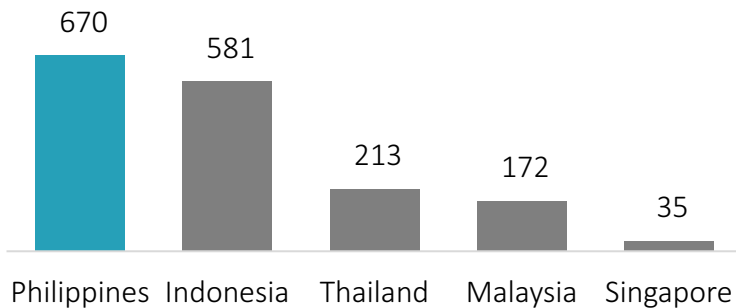
Breakdown of Family Expenditures



Source: 2015 PSA data

## PH shelf-stable market the largest in ASEAN

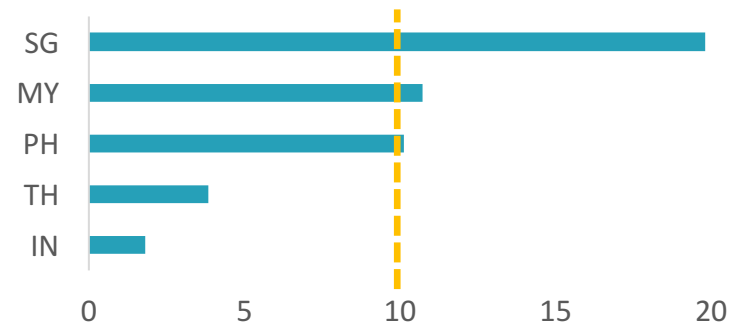
Shelf-stable food total consumption (US\$m)



Source: 2016 Euromonitor data

## Room to grown on a per capita basis

Per capita canned goods consumption (US\$m)



Source: Euromonitor, Ateneo de Manila University CFA IRC Presentation 2017

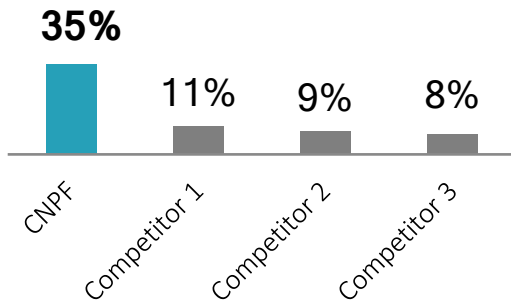
# Dominant market leadership in ambient food in the Philippines



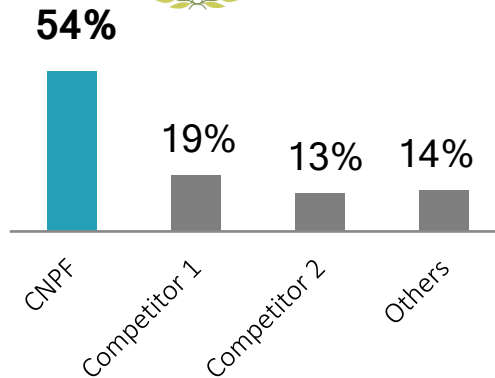
## Largest and Leading Canned Producer



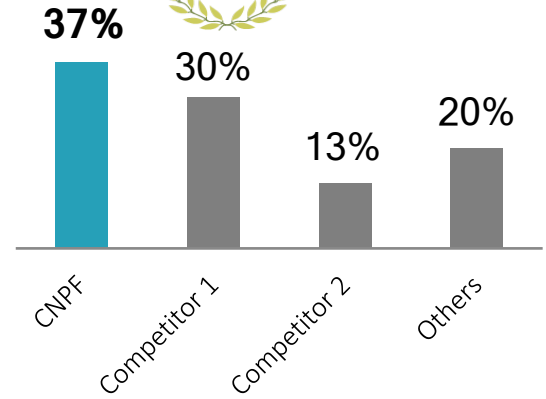
Canned & Preserved Food



Canned & Processed Fish



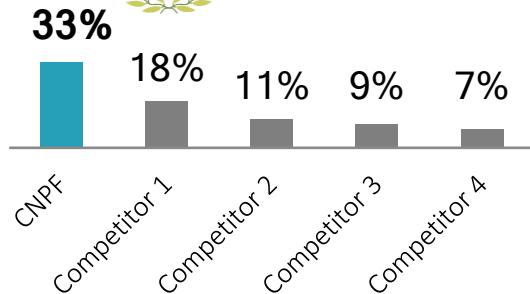
Canned Meat



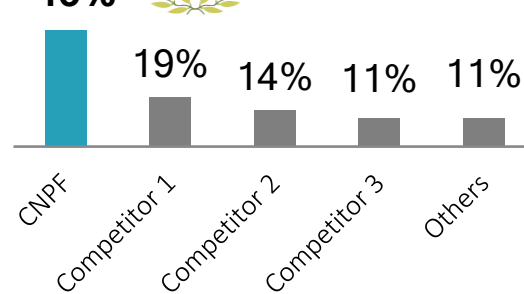
## Dominant Positions in Key Sub-Segments



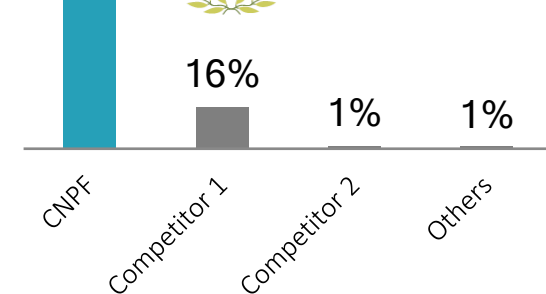
September 2017 Emulsified Loaves



September 2017 Corned Beef



September 2017 Canned Tuna



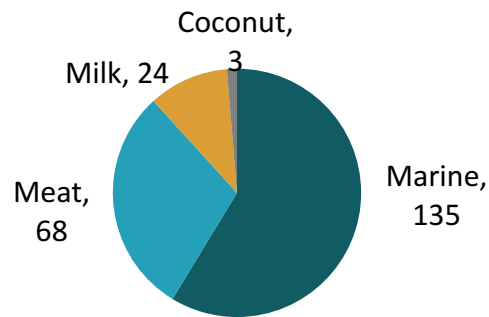
# Multiple brands and products catering to all consumers



Diverse product portfolio catering to a **broad customer base and different customer tastes and needs**

| Positioning                     | Value for Money         | Mass Market                 | Affordable Premium                |
|---------------------------------|-------------------------|-----------------------------|-----------------------------------|
| Canned and Processed Fish       | Lucky 7, FRESCA TUNA    | 555, BLUE BAY               | Century TUNA, Century QUALITY     |
| Canned and Processed Meat       | Lucky 7, WOW            | 555, Shanghai, Argentina    | Swift                             |
| Canned and Drinking Milk; Mixes | HomePride, KAFFE DE ORO | Angel, Birch Tree FORTIFIED | Birch Tree Full Cream Milk Powder |

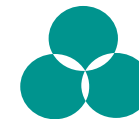
Current Company Portfolio – 230 SKUs



## Significant benefits of a multi-brand, multi-product portfolio

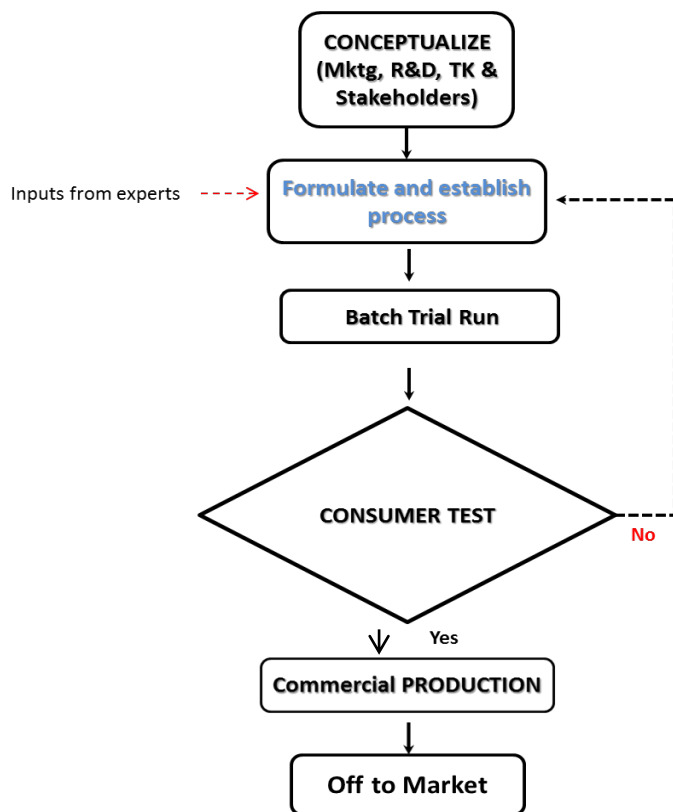
- Catering to a broad customer base through multiple brands and capturing larger share of the consumers' wallet / stomach through multiple segments / products
- Increased bargaining power with suppliers and distributors
- Diversification of risk and facilitate brand consolidation play

# A strong focus on marketing and R&D driven innovation



## R&D Process Flow

An integral part of launching new products and improving profitability



## Innovative Marketing Campaigns

Enhancing brand recognition through active and targeted marketing and promotional campaigns



Capitalizing on healthier lifestyles



Intuitive and appealing ad-campaigns employing celebrity endorsers to create must have and aspirational brands

# Extensive market penetration and distribution network



271k

Total PH outlets serviced by CNPF

760k

Total PH outlets CNPF products are AVAILABLE

Source: 2016 Nielsen data

Availability Equivalent to **66%** of all points of sale in the PH

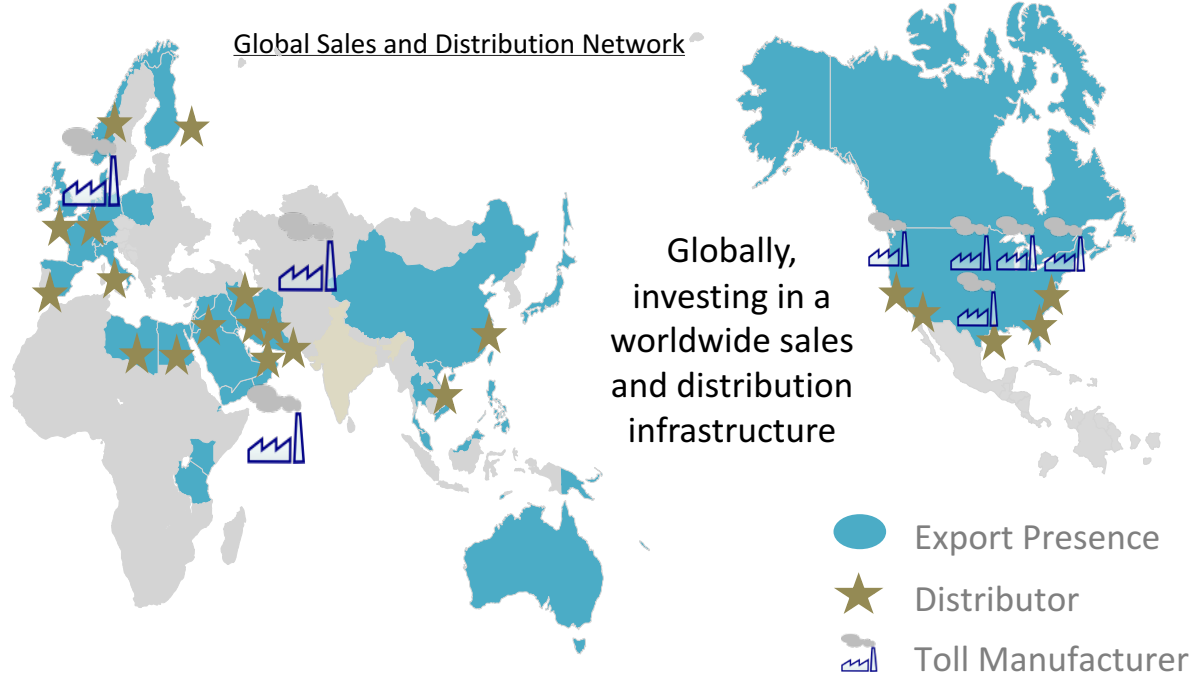
14

Offshore toll manufacturers for CNPF products

59

Countries CNPF products are AVAILABLE

### Availability of Branded Products

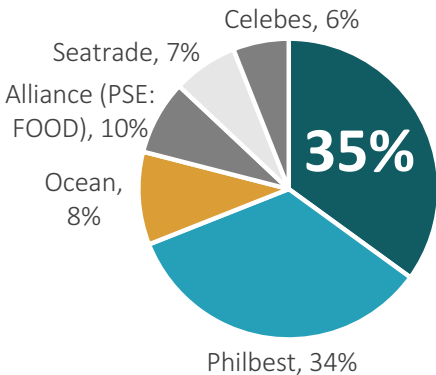


# 6 Trusted partner for customers around the world



Works closely with long standing international partners to produce private label and branded products for sale in international markets

## Tuna OEM Market Share



**CENTURY PACIFIC FOOD, INC.**

Source: 2016 Bureau Of Customs data

## Key Customers

|                                       |                                      |  |
|---------------------------------------|--------------------------------------|--|
|                                       |                                      |  |
| largest single-brand restaurant chain | UK's leading importer of canned food | Japan's leading manufacturers of food products |



Worldwide market leader in coconut water

## Branded Products sold Exclusively for Export



# 7 Experienced and dedicated management team



## Highly experienced professionals in their respective areas of expertise

**Executive Committee Profile**

|                            |                          |
|----------------------------|--------------------------|
| <b>President &amp; CEO</b> | <b>8 Vice Presidents</b> |
| <b>EVP &amp; COO</b>       |                          |

**Average Tenure – 11 years**

**Average Work Experience – 20 years**



**Cumulative Professional Experience – 280 years**

|  |   |
|--|---|
| <b>Christopher Po</b><br>President and CEO             | <ul style="list-style-type: none"> <li>Previously served as Management Consultant at McKinsey, Managing Director at Guggenheim Partners, and Corporate Planning Head at JG Summit</li> <li>Summa Cum Laude from Wharton; MBA from Harvard Business School</li> </ul>                                  |
| <b>Teodoro Po</b><br>EVP and COO                       | <ul style="list-style-type: none"> <li>23 years experience of running various business units of Century Group; Designed, built and managed several factories of the group</li> <li>Summa Cum Laude from Boston University; Owner/President Management Program from Harvard Business School</li> </ul> |
| <b>Oscar Pobre</b><br>VP and CFO                       | <ul style="list-style-type: none"> <li>19 years managing the corporate finance, treasury, accounting and controllership at Century Group of Companies</li> <li>17 years in finance functions at RFM, Cosmos, Dole, and Meralco</li> </ul>   |
| <b>Gregory Banzon</b><br>VP - GM Canned Fish, Tuna     | <ul style="list-style-type: none"> <li>22 years of experience in various general management, marketing and sales roles including VP- Marketing of Johnson &amp; Johnson ASEAN, Country General Manager of Johnson &amp; Johnson Indonesia, and General Manager at RFM</li> </ul>                      |
| <b>Cezar Cruz, Jr.</b><br>VP - GM Canned Fish, Sardine | <ul style="list-style-type: none"> <li>29 years of experience in various technical, operations and business development roles at San Miguel and RFM</li> <li>President of the Sardine Association of the Philippines</li> </ul>   |
| <b>Rex Agarrado</b><br>VP – GM Canned Meat             | <ul style="list-style-type: none"> <li>18 years of experience in various technical and manufacturing roles at San Miguel, RFM, Quaker and California Manufacturing Corporation</li> <li>Director of the Philippine Association of Meat Processors, Inc.</li> </ul>                                    |
| <b>Edwin Africa</b><br>VP – GM Dairy and Mixes         | <ul style="list-style-type: none"> <li>22 years of experience in general and brand management roles in the Philippines, Taiwan, Thailand, Singapore, Malaysia and China</li> <li>Procter &amp; Gamble from 1991 to 2001, Nippon Paint from 2001 to 2004, and Pepsico from 2005-2012</li> </ul>        |
| <b>Teddy Kho</b><br>VP – GM Tuna Export                | <ul style="list-style-type: none"> <li>21 years of experience in various management, operations and technical roles including President and General Manager of San Miguel Foods Vietnam and Plant Manager of San Miguel Hoecheong</li> </ul>  |
| <b>Noel Tempongko</b><br>VP – GM CPAVI                 | <ul style="list-style-type: none"> <li>27 years of experience in various general management roles in fast-moving consumer goods companies, including San Miguel Yamamura Packaging Corp and The Purefoods-Hormel Company Inc</li> </ul>   |
| <b>Ron Agoncillo</b><br>VP - Sales                     | <ul style="list-style-type: none"> <li>8 years of experience in sales management roles at National Sales and Cadbury, Unilever Indonesia &amp; Philippines, 3M, and Shell</li> </ul>  |

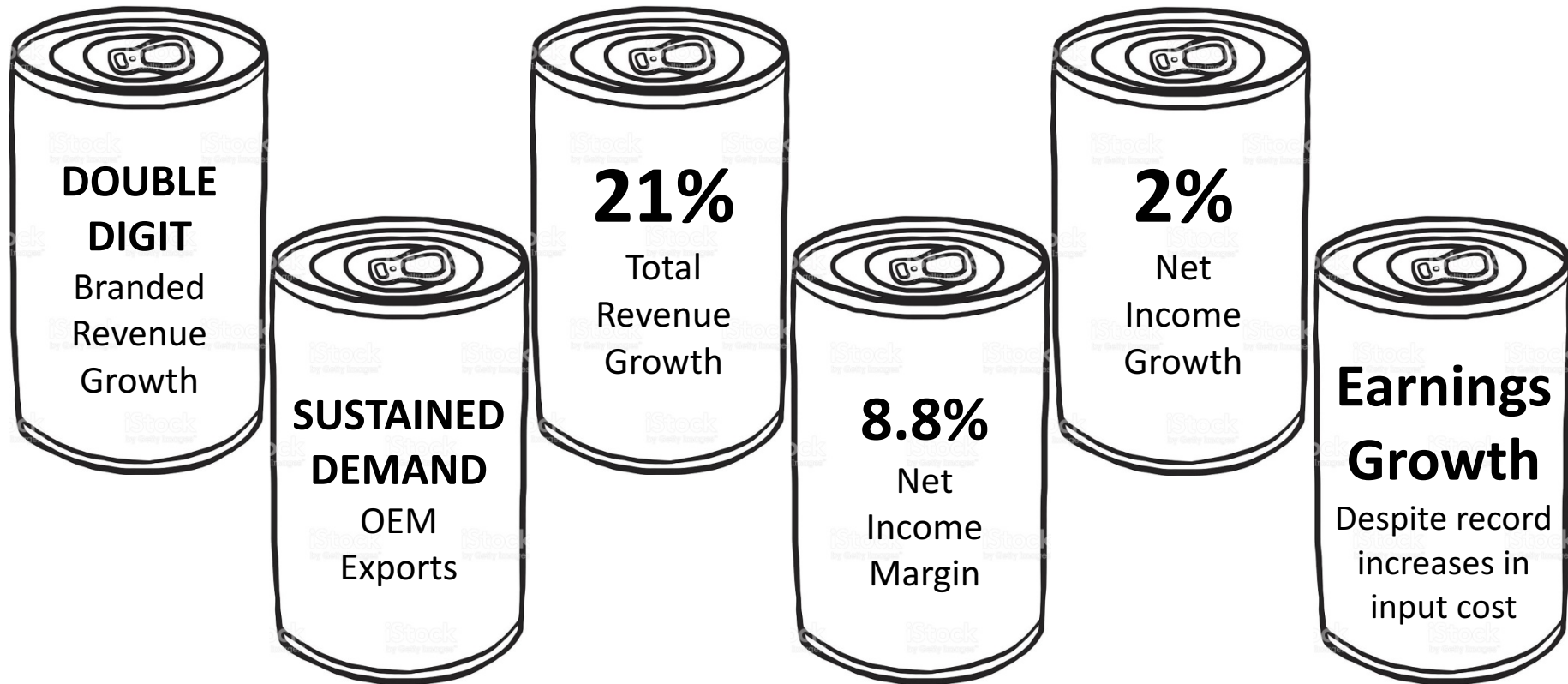


# P&L PERFORMANCE & OUTLOOK

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# YTD Sep 2017 Results Highlights



# YTD Sep 2017 Financial Performance



| in PHP Mill              | 9M 2016      | 9M 2017      | Change YoY |
|--------------------------|--------------|--------------|------------|
| <b>Net Revenues</b>      | 20,964       | 25,270       | 21%        |
| Cost of Sales            | 14,283       | 18,772       | 31%        |
| <b>Gross Profit</b>      | <b>6,681</b> | <b>6,498</b> | <b>-3%</b> |
| Operating Expenses       | 3,769        | 3,699        | -2%        |
| <b>Operating Income</b>  | <b>2,964</b> | <b>2,990</b> | <b>1%</b>  |
| <b>EBITDA</b>            | <b>3,210</b> | <b>3,369</b> | <b>5%</b>  |
| <b>Income Before Tax</b> | <b>2,892</b> | <b>2,916</b> | <b>1%</b>  |
| Income Tax               | 733          | 704          | -4%        |
| <b>Net Income</b>        | <b>2,160</b> | <b>2,213</b> | <b>2%</b>  |
| <b>Margins (%)</b>       |              |              |            |
| Gross Profit             | 31.9%        | 25.7%        | -6.2pps    |
| Operating Expenses       | 18.0%        | 14.6%        | -3.3pps    |
| Operating Income         | 14.1%        | 11.8%        | -2.3pps    |
| EBITDA                   | 15.3%        | 13.3%        | -2.0pps    |
| Net Income               | 10.3%        | 8.8%         | -1.5pps    |
| Effective Tax Rate       | 25.3%        | 24.1%        | -1.2pps    |

- Consistent double-digit **BRANDED REVENUE** growth
- Strong tuna & coconut **OEM EXPORT** sales

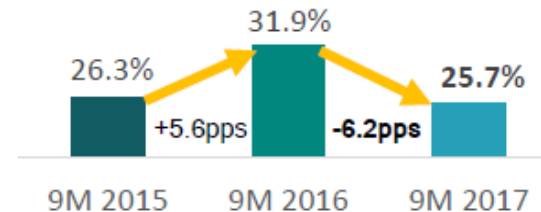
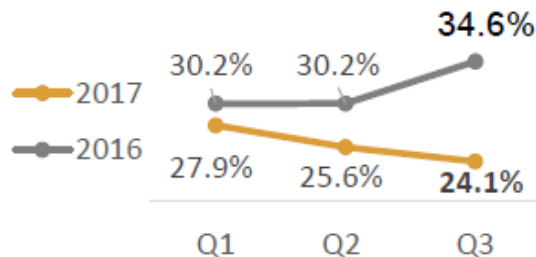
- Elevated **INPUT COST** from higher raw material prices
- Increased contribution from **LOWER MARGIN OEM**

- Managed admin cost while continuing to focus and invest in **BRANDED PORTFOLIO**

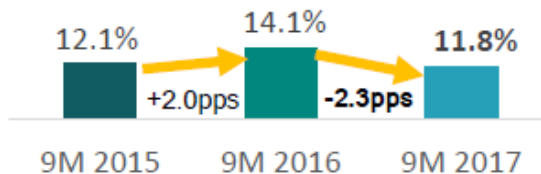
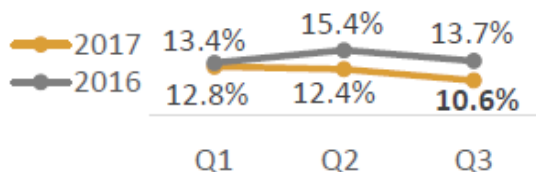
# Softening Impact of Lower Gross Margin



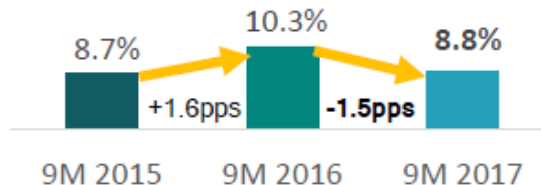
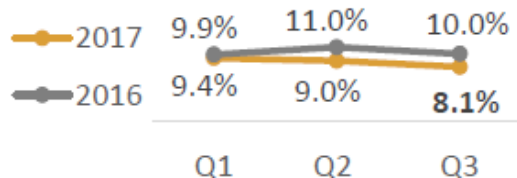
## Gross Margin



## Operating Margin



## Net Margin



- **MUTED MOVEMENT** in operating and net income margins relative to movement in gross profit and input cost
- Soft commodity prices across all categories in 2016 make for a **DIFFICULT COMPARABLE** period
- Net margins still **SIMILAR TO 2015**

# Balance Sheet Highlights



| in PHP mill              | 2016          | 9M 2017       |
|--------------------------|---------------|---------------|
| Cash                     | 696           | 1,207         |
| Receivables              | 3,955         | 5,719         |
| Inventory                | 7,529         | 7,157         |
| <b>Current Assets</b>    | <b>12,758</b> | <b>14,712</b> |
| PPE                      | 3,945         | 4,409         |
| <b>Noncurrent Assets</b> | <b>7,175</b>  | <b>7,816</b>  |
| <b>TOTAL ASSETS</b>      | <b>19,932</b> | <b>22,527</b> |

- Faster **CASH CONVERSION CYCLE** (96 vs 103 days) with lower inventory level
- **CAPEX for CAPACITY EXPANSION, NEW PRODUCTS**

| in PHP mill              | 2016          | 9M 2017       |
|--------------------------|---------------|---------------|
| Trade and Other Payables | 4,730         | 5,073         |
| Notes Payable – Current  | 671           | 1,389         |
| Long-Term Loan           | 1,634         | 1,634         |
| <b>TOTAL LIABILITIES</b> | <b>7,393</b>  | <b>8,387</b>  |
| Retained Earnings        | 4,015         | 5,590         |
| <b>TOTAL EQUITY</b>      | <b>12,539</b> | <b>14,140</b> |
| <b>BVPS (PHP/sh)*</b>    | <b>3.54</b>   | <b>3.99</b>   |

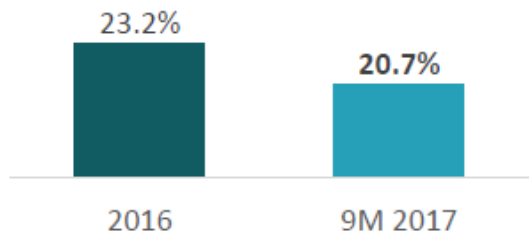
- **ADDITIONAL SHORT-TERM DEBT** of PHP718 million
- 9M 2017 consolidated **NET INCOME** of PHP2.2 billion LESS **DIVIDEND** declaration of PHP638 million

# Key Balance Sheet Metrics



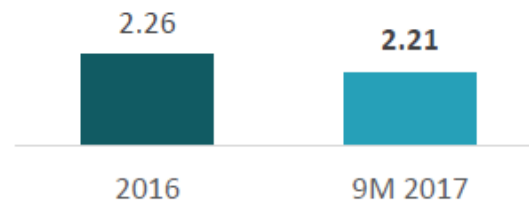
## Return on Equity (%)

using trailing 12 months' earnings and average equity



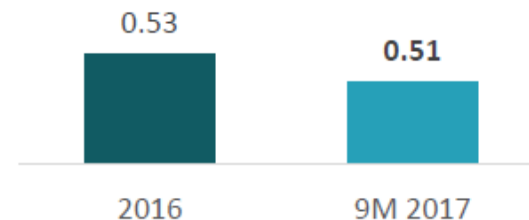
- Maintained **ROE** above 20%

## Current Ratio (x)



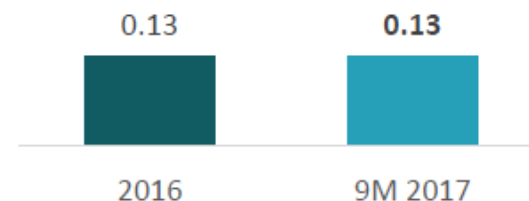
- Lower **CURRENT RATIO** due to increase in short-term debt

## Net Debt to Equity (x)\*



- Maintained **GEARING** ratios despite higher short-term debt

## Net Gearing (x)\*\*



- Manageable **LEVERAGE** ratios provide financing flexibility

Notes: \*Net debt to equity = (Total Liabilities Less Cash) / Equity

\*\*Net gearing = (Interest-bearing Liabilities Less Cash) / Equity

# Cash Flow Highlights



| In PHP mill                  | 9M 2016      | 9M 2017        |
|------------------------------|--------------|----------------|
| Profit before tax            | 2,892        | 2,916          |
| Depreciation                 | 246          | 383            |
| Working capital change       | (1,099)      | (1,071)        |
| Income tax                   | (733)        | (704)          |
| <b>OPERATIONS CASH FLOWS</b> | <b>1,527</b> | <b>1,533</b>   |
| Additions to PPE             | (930)        | (844)          |
| Acquisitions                 | (61)         | (214)          |
| <b>INVESTING CASH FLOWS</b>  | <b>(991)</b> | <b>(1,046)</b> |
| Change in debt               | 54           | 718            |
| Finance costs                | (72)         | (73)           |
| <b>FINANCING CASH FLOWS</b>  | <b>(490)</b> | <b>24</b>      |
| <b>NET CHANGE IN CASH</b>    | <b>46</b>    | <b>512</b>     |
| <b>Cash, ENDING</b>          | <b>768</b>   | <b>1,207</b>   |
| <b>FREE CASH FLOW</b>        | <b>597</b>   | <b>688</b>     |

- Higher **DEPRECIATION** due to capacity expansion

- **CAPEX 2017F**: approx Php 1.0 billion

- Acquisition of Hunt's trademark in 2017

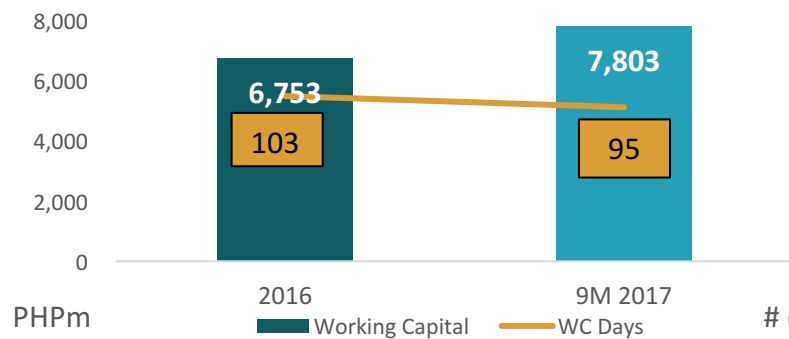
- ST debt for working cap, Hunt's acquisition

- Maintained **POSITIVE FREE CASH FLOW** for the period

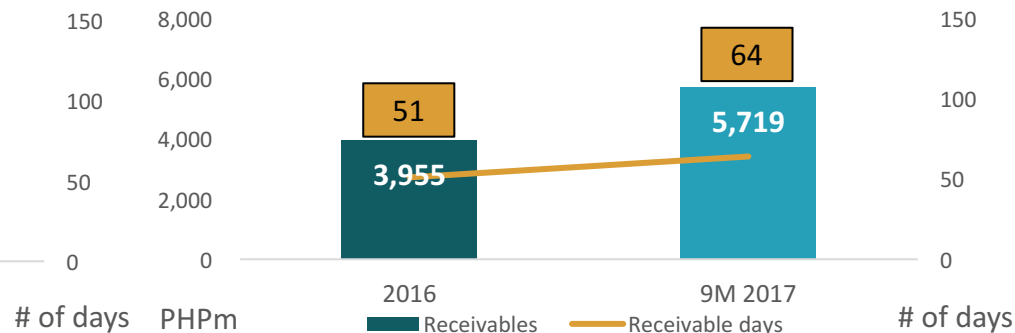
# Working Capital



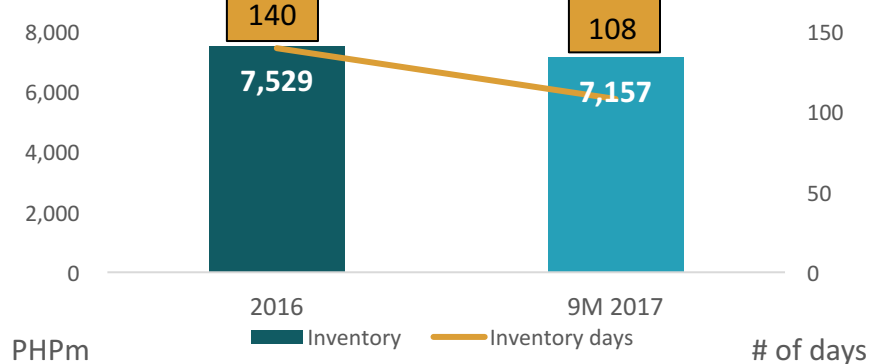
## Working Capital



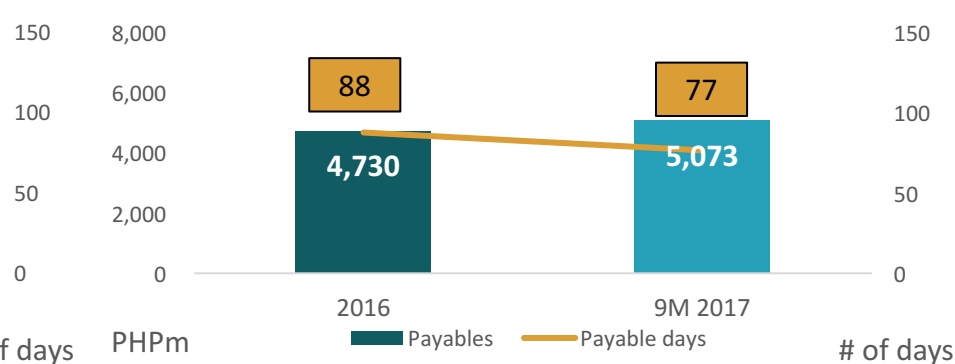
## Receivables



## Inventory

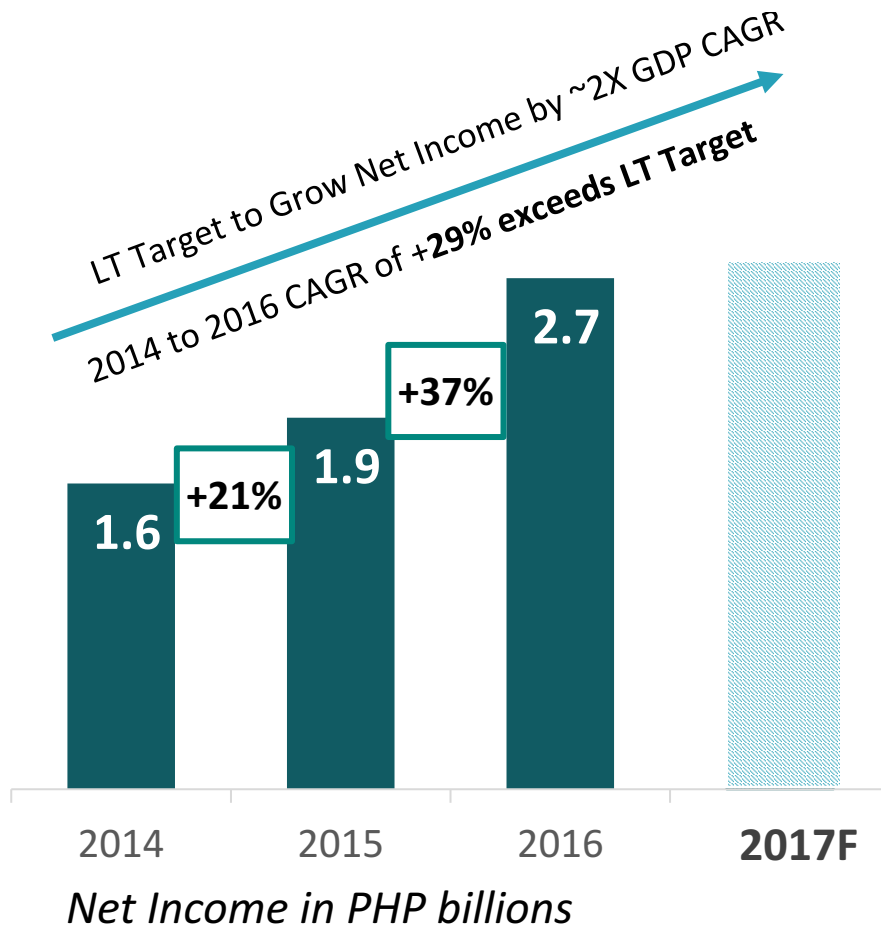


## Payables



- Lower inventory and **REDUCED RAW MATERIAL STOCKS** due to higher tuna prices
- Increase in receivables due to higher **NON-TRADE** receivables (supplier advances)

# FY17 Guidance and Outlook



- **TOPLINE:** Strong top line growth should be sustainable driven by positive branded momentum into Q4
- **BOTTOMLINE:** Likely flat earnings growth in 2017 versus 2016, despite good topline performance
- Magnitude of the move in input price this year is **UNUSUAL – TOUGHER BUT TEMPORARY** cost environment
- Continue the momentum of revenue growth, maintain market leadership in key categories, invest in brands and new products to **PUT COMPANY IN GOOD POSITION TO BENEFIT ONCE INPUT PRICES SOFTEN**

# Stock Highlights



## MARKET CAPITALIZATION

**\$0.8B**

December 2015

**\$1.1B**

November 2017

## AVERAGE DAILY VALUE TRADED

**\$0.2M**

2015

**\$0.8M**

Last 3 Months

| Source: BPI Securities<br>2017 Estimates | CNPF  | Phil Consumer<br>Average |
|--|-------|--------------------------|
| PER                                      | 20.0x | 24.7x                    |
| PBV                                      | 3.9x  | 4.4x                     |
| ROE                                      | 20.8% | 16.9%                    |

## 52-Week Stock Price Performance (Bloomberg Ticker: CNPF PM)

PHP/SHARE



# Investor Relations



| As of 11/16/17            |                                     |
|---------------------------|-------------------------------------|
| Current Price             | PHP16.30                            |
| 52 Week Range             | PHP14.00-19.20                      |
| YTD Avg Turnover          | USD0.8 Million                      |
| Market Capitalization     | PHP57.74 Billion<br>USD1.14 Billion |
| Free Float                | 23.84%                              |
| YTD Absolute Performance  | -0.6%                               |
| YTD Relative to Index     | -21.5%                              |
| YTD Relative to Sector    | -12.8%                              |
| 3 Mo Absolute Performance | -3.8%                               |
| 3 Mo Relative to Index    | -7.1%                               |
| 3 Mo Relative to Sector   | -6.7%                               |

**ASIAMONEY**

Philippines' Best Managed Company  
Small Cap (2016)

**MSCI** 

MSCI Philippine Small Cap  
May 31, 2016

**FinanceAsia**

Philippines' Best Company  
Mid Cap (2016)

**FTSE  
Russell**

FTSE Index Small Cap and  
AllCap – Asia Pacific  
March 20, 2017

## Sell-Side Coverage

Deutsche Bank 

 **Maybank**

**COL FINANCIAL**  
PHILIPPINES

 **SECURITY BANK**

Jefferies 

**NOMURA**

  
**RCBC**

**CLSA**

 **DBS**  
VICKERS  
SECURITIES



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