



CENTURY PACIFIC FOOD, INC.

(PSE: CNPF)





BUSINESS OVERVIEW

Investment Highlights



1 Market Leadership

- Dominates the canned fish 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 and 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 904,000 points of sale locally*
- 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
- One of the Philippines' largest exporter of tuna and various coconut products

Strategic Priorities



1
Solidify market dominance, strengthen brands, and drive up per capita consumption in key categories

2
Explore new categories via in-house product innovation and development, as well as an active search for undervalued brands

3
Establish international presence by pursuing foreign markets with sizeable Filipino base and building on world-class export capabilities

4
Increase operational productivity via high-return CapEx projects and improve depth and quality of sales coverage

5
Pursue long-term sustainable earnings growth, striking a balance between consistently increasing revenue base and managing profitability

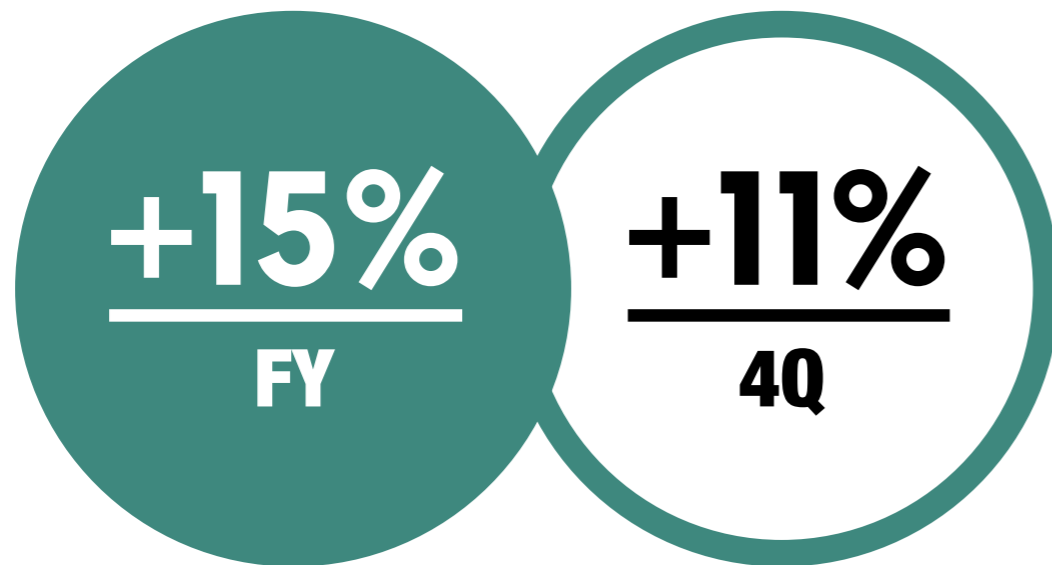


FINANCIAL PERFORMANCE & OUTLOOK

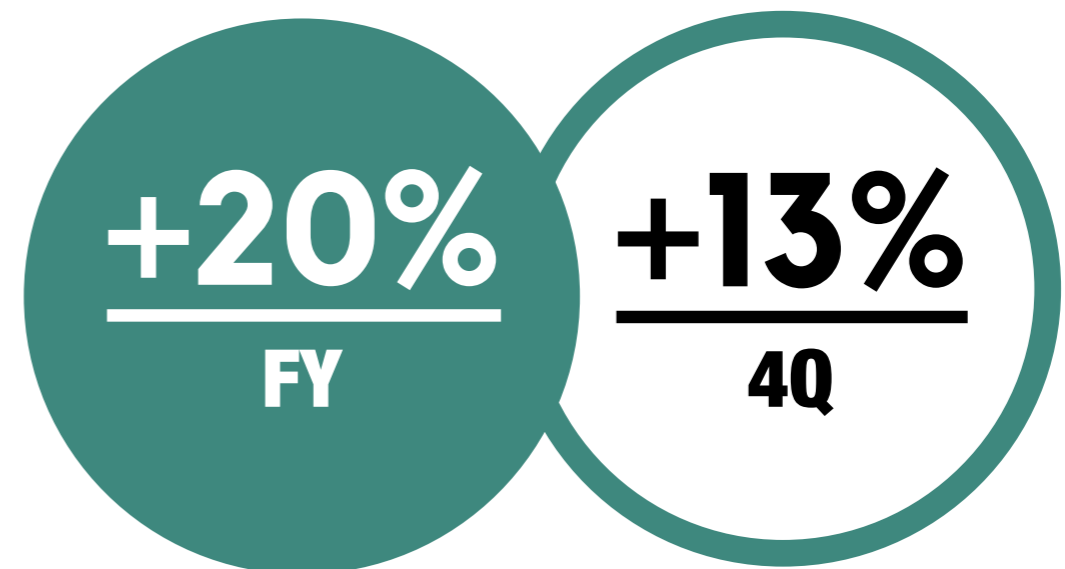
Financial Results Highlights



TOTAL REVENUE GROWTH



BRANDED REVENUE GROWTH



GROSS PROFIT GROWTH



OPERATING INCOME GROWTH



EBITDA GROWTH



NET INCOME GROWTH



*Pre-IFRS 15 figures were used for quarterly information.

FY 2018 Summarized P&L



In PHP Mill	YTD Dec 2017	YTD Dec 2018	Change YoY
Net Revenues	32,907	37,885	15%
Cost of Sales	25,973	29,738	14%
Gross Profit	6,935	8,148	17%
Operating Expenses	3,893	4,721	21%
Operating Income	3,429	3,799	11%
EBITDA	3,954	4,526	14%
Financing Cost - Net	107	197	84%
Income before Tax	3,322	3,602	8%
Income Tax	770	768	0%
Net Income	2,552	2,834	11%
Earnings per Share	0.72	0.80	11%
Margins (%)			
Gross Profit	21.1%	21.5%	+0.4 pps
Operating Expenses	11.8%	12.5%	+0.6 pps
Operating Income	10.4%	10.0%	-0.4 pps
EBITDA	12.0%	11.9%	-0.1 pps
Net Income	7.8%	7.5%	-0.3 pps

- **HIGHER SALES FROM ALL SEGMENTS** with overall growth driven by branded segment
- Revenue growth from branded business driven almost completely by **HIGHER VOLUMES**

- Slight expansion in gross margins due primarily to **DIVERSIFIED OPERATIONS** as softer input prices **OFFSET PRESSURES** from other costs

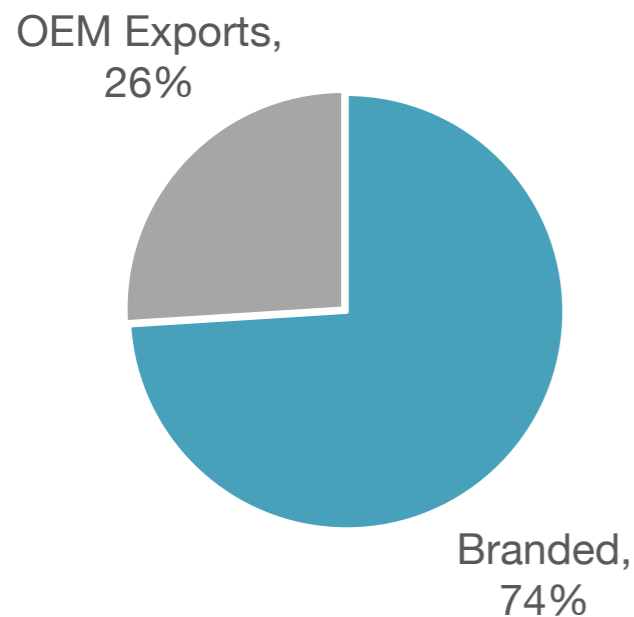
- Increase in operating expenses driven primarily by **HIGHER FREIGHT AND LOGISTICS COSTS**
- Continued **INVESTMENT IN BRANDS**

- Earnings growth momentum continued as **TOTAL NET INCOME INCREASED BY A HEALTHY +11%**

Consistent Outperformance of Branded Revenue Growth

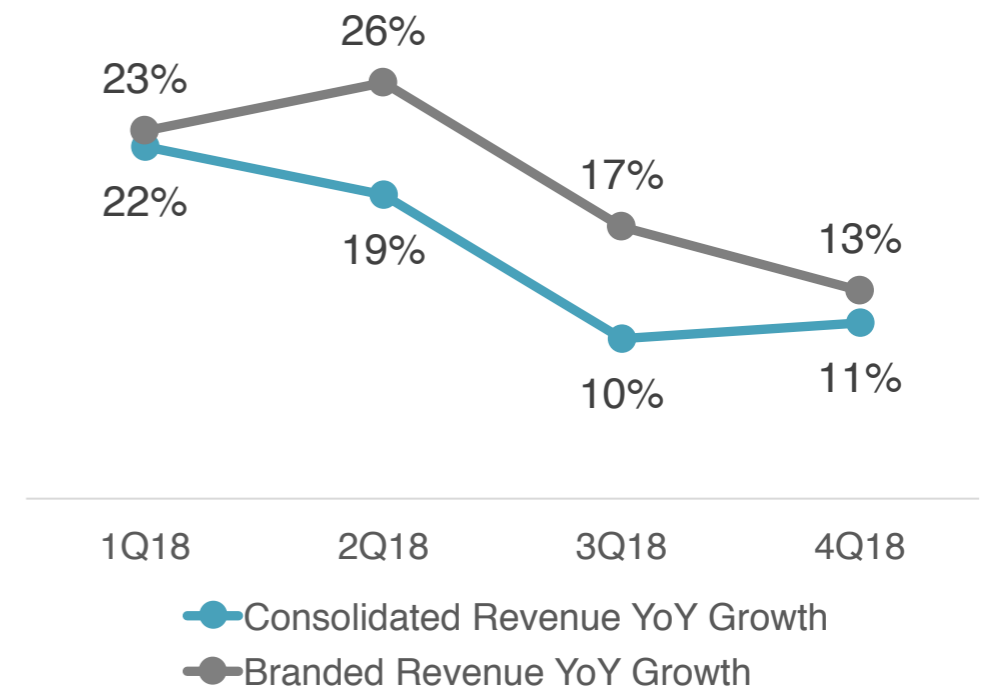
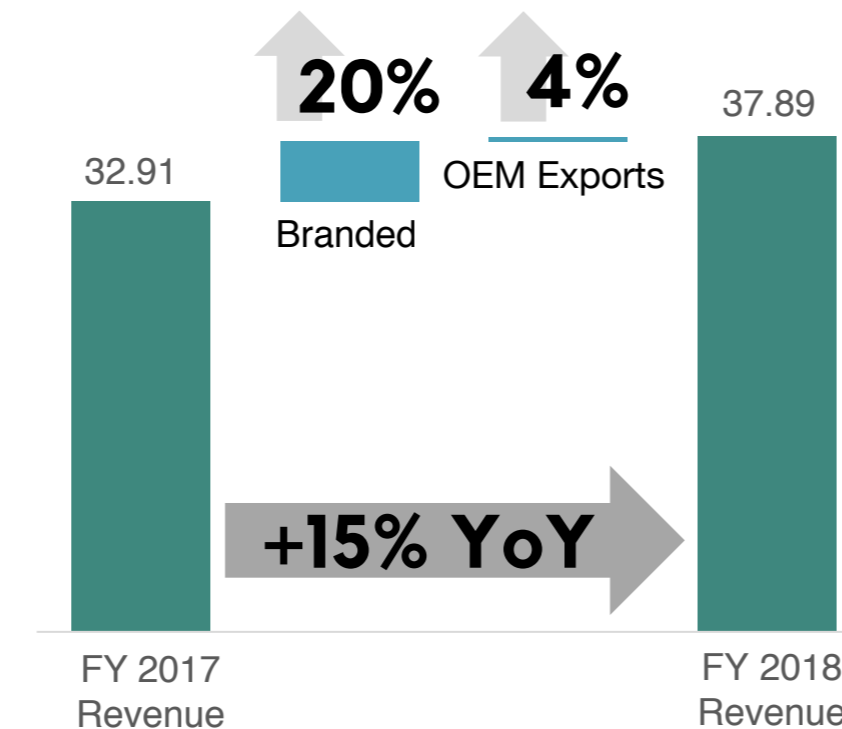


FY18 Revenue Breakdown



Revenue Growth Split

In PHP Bill

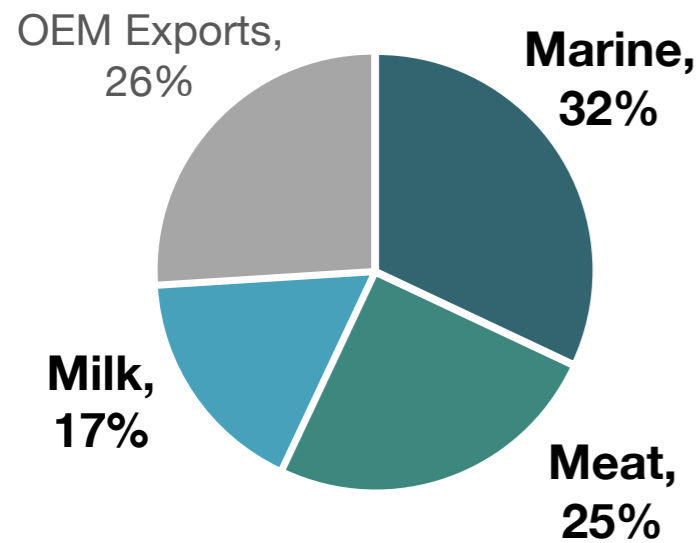


- Branded business continues to be a **SIGNIFICANT MAJORITY OF OVERALL SALES**
- Consolidated growth rate **UNDERSTATES** growth of branded business, with the latter outperforming the former in each and every quarter in 2018

Upward Trend in Branded Sales; Improvements in Distribution

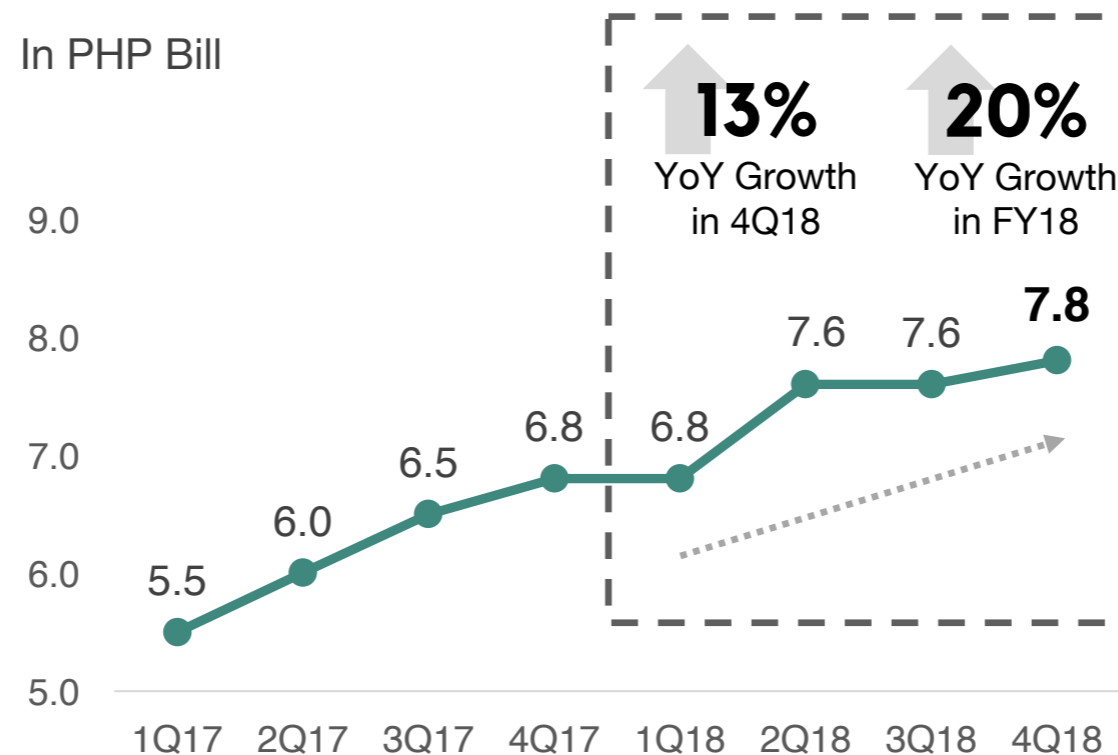


FY18 Revenue Breakdown



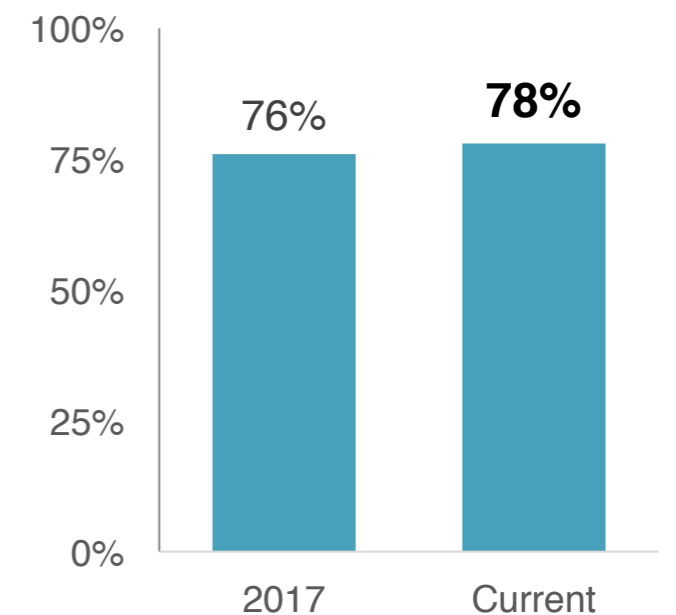
Branded Quarterly Revenues

In PHP Bill



Increased Availability

CNPF Product Availability Relative to Total Points of Sale in the Philippines



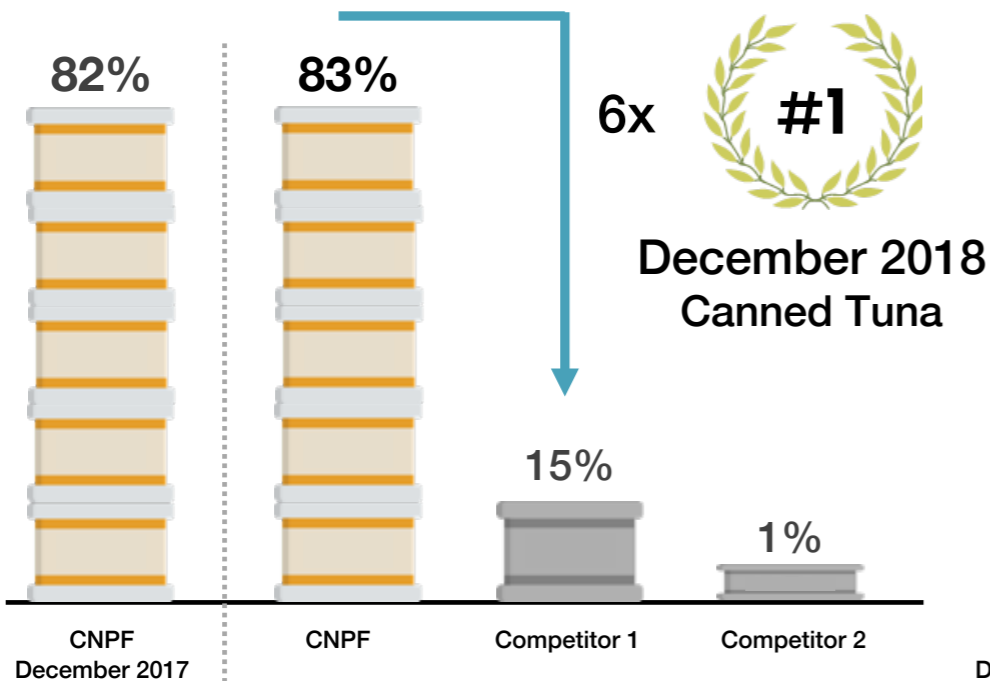
Source: Nielsen

- Each branded business posted higher sales year-on-year on the back of **INCREASED VOLUMES**
- Sustained upward sales trend considering inflation-induced challenges, highlighting **AFFORDABILITY OF PRODUCTS**
- Record-high sales driven by **IMPROVEMENTS IN DISTRIBUTION AND SUPPLY CHAIN**, especially in Visayas and Mindanao which showed significant outperformance relative to other areas

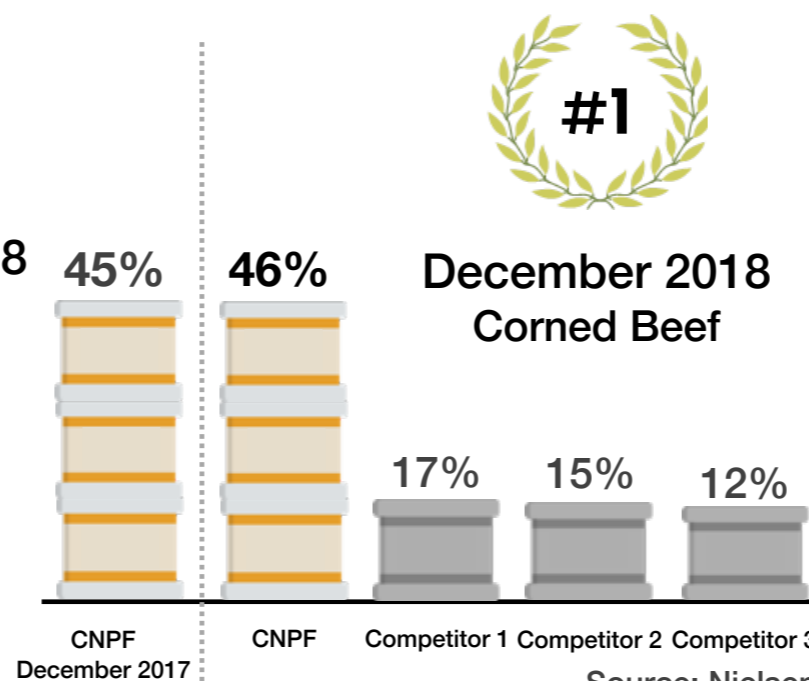
Brand-Building Strengthens Market Leadership



Marine Market Share



Meat Market Share



- **MARINE** and **MEAT** campaigns focused on capitalizing goodwill of brands and increasing frequency of use
- Fastest growth seen from core and emerging categories of **MILK**

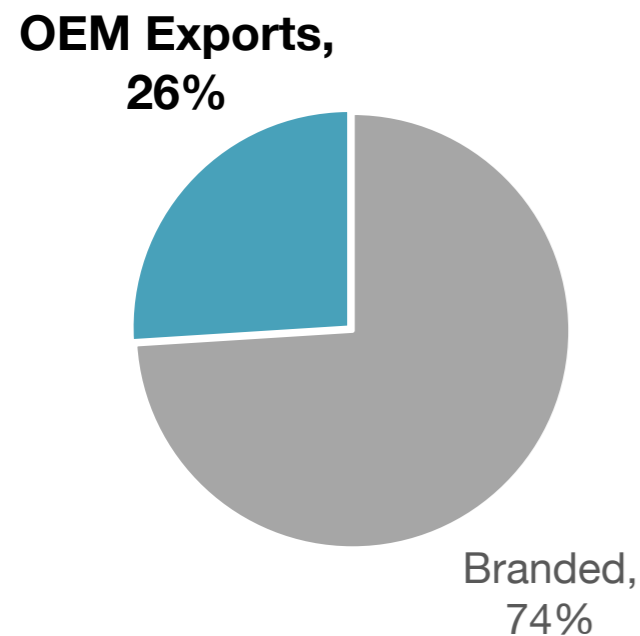
Source: Nielsen



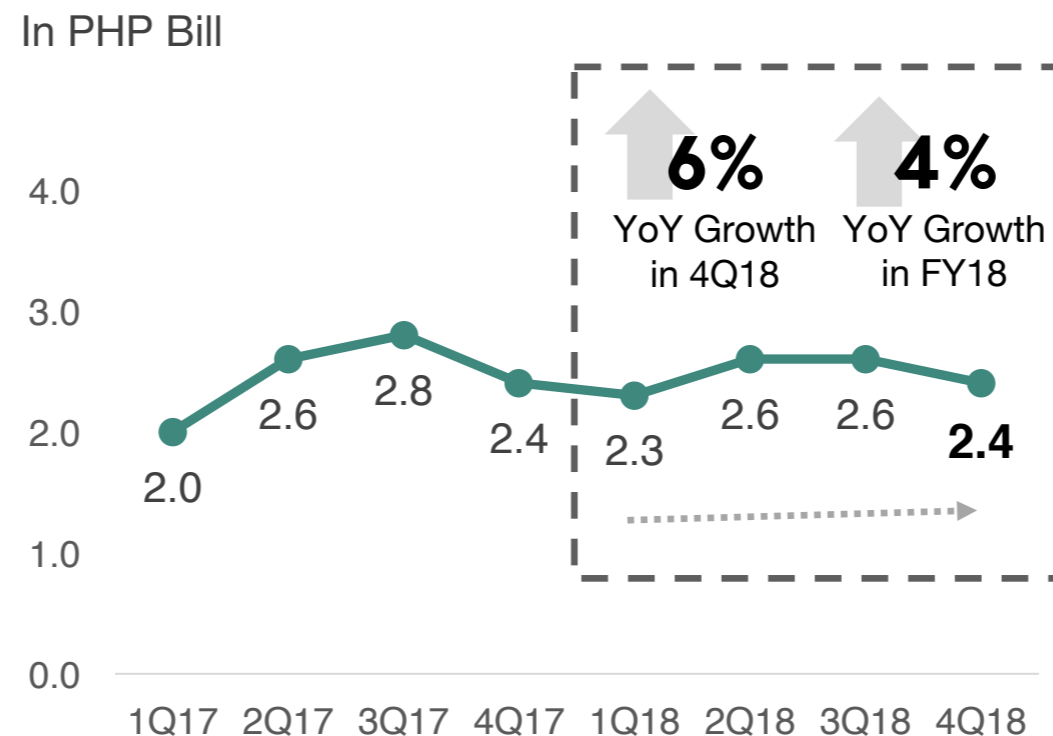
Tempered OEM Sales Growth Due to Normalizing Pass-On Prices



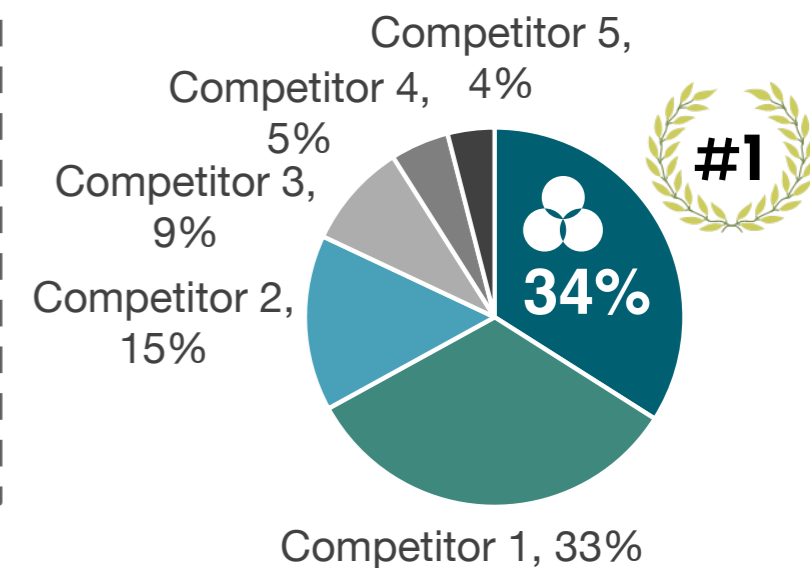
FY18 Revenue Breakdown



OEM Export Quarterly Revenues



Tuna OEM Market Share



Source: Bureau of Customs, 2018

- Tempered OEM sales growth in line with **NORMALIZING PASS-ON PRICES OF TUNA AND COCONUT**, coming from previous year's cyclically high raw material costs
- Temporary correction in coconut water trade inventory; category expected to transition to **MORE SUSTAINABLE GROWTH LEVELS**

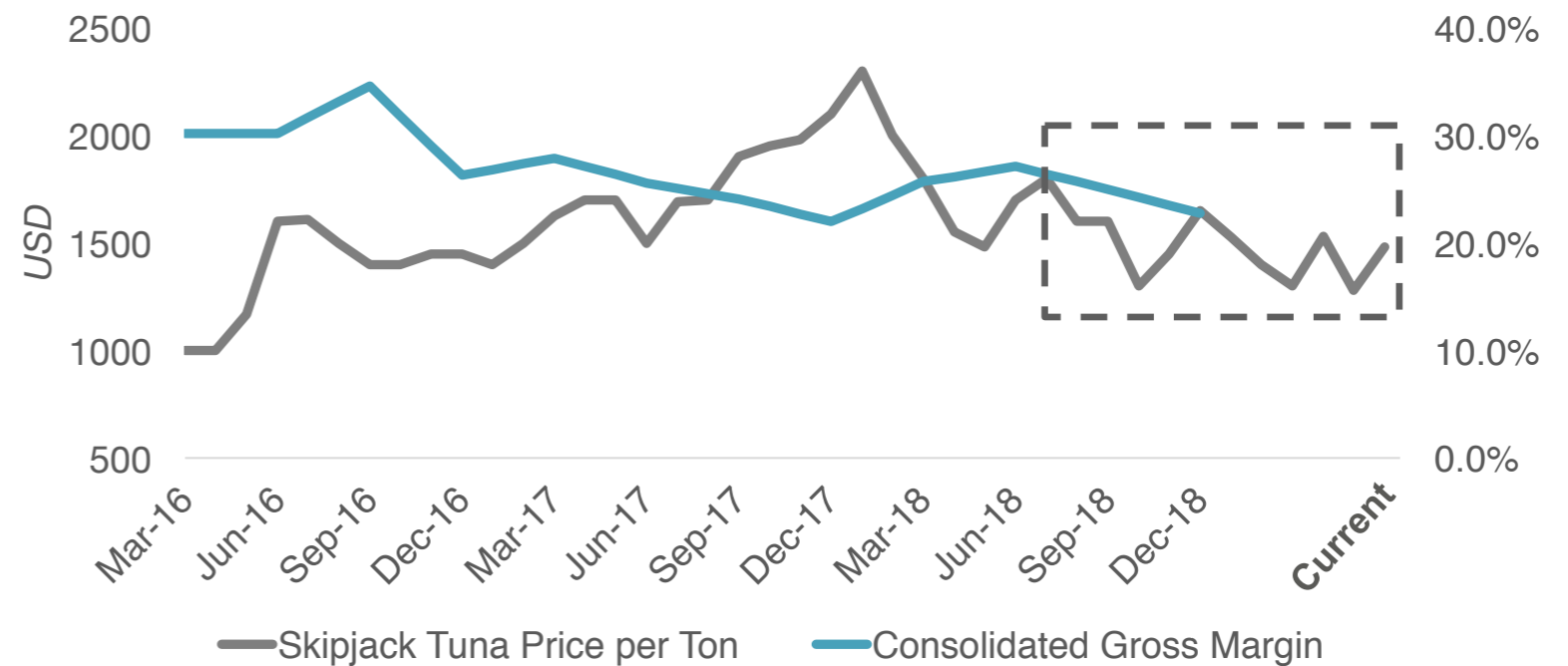
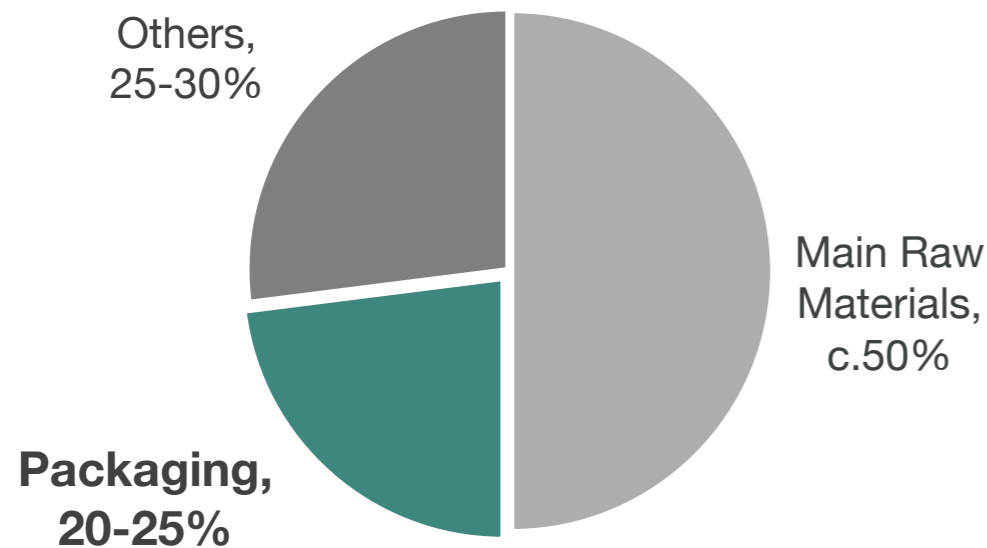
Steady Gross Profitability with Diversified Cost Base



Cost of Sales Breakdown

Consolidated Gross Profit Margins versus Skipjack Tuna Prices monthly with 3-month delay

Margin pressure from packaging costs



Source: http://investor.thaiunion.com/raw_material.html

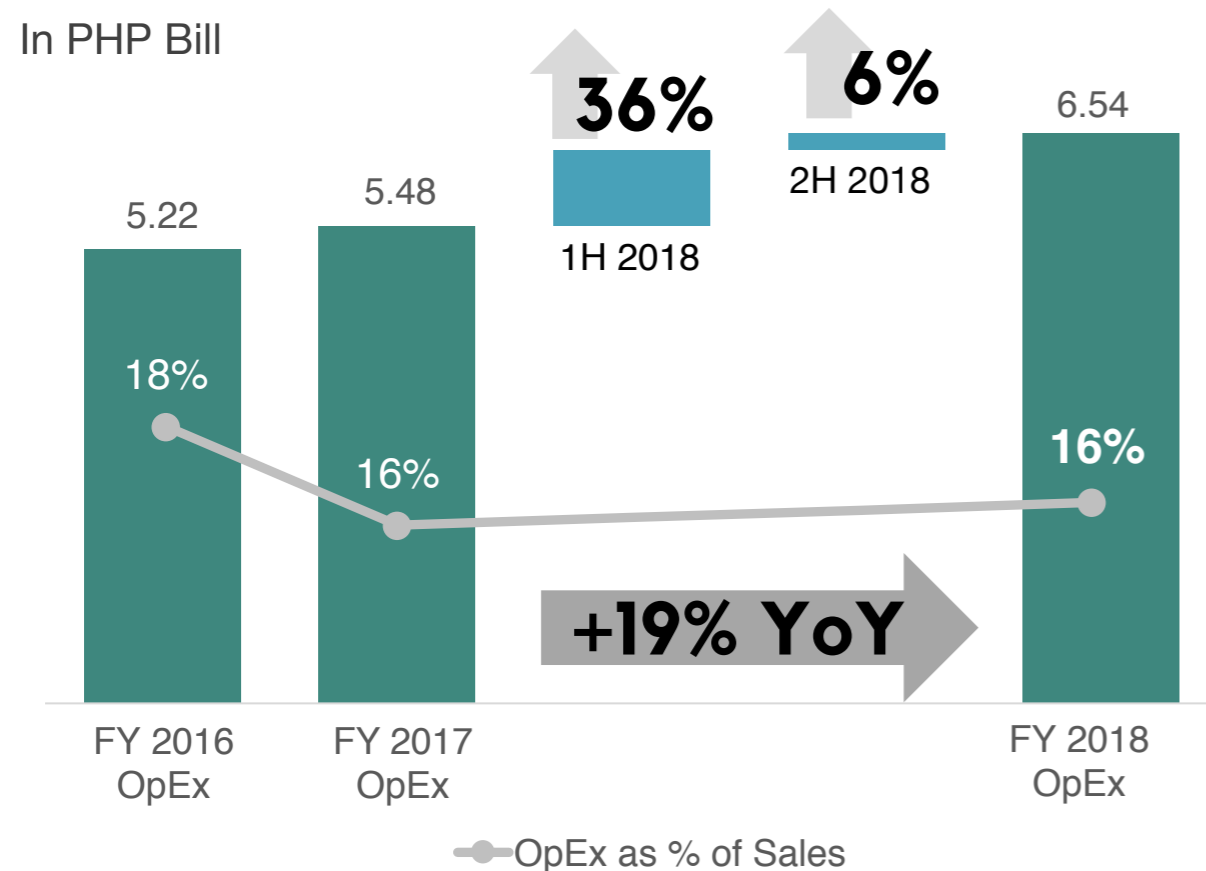
Source: CNPF

- Consolidated gross margin largely unchanged year-on-year given **SOFTENING TUNA AND COCONUT PRICES** offsetting full-year impact of cost pressures from **OTHER RAW MATERIALS** and **PACKAGING**

Moderating OpEx Growth Relative to 1H18



OpEx Growth Split by Interim Period



OpEx Breakdown

Cost pressure from freight and logistics

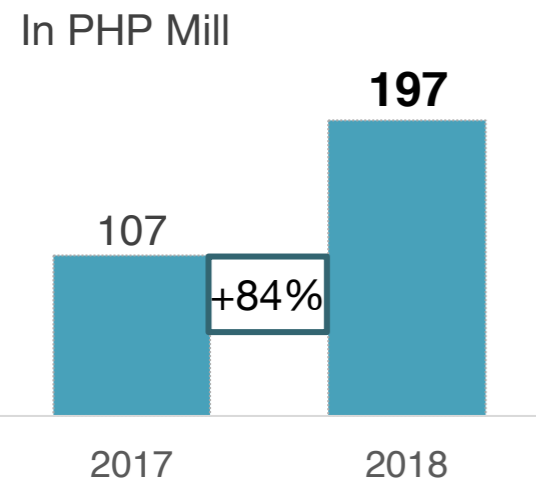


- Moderating growth in 2H18 OpEx reflect **FRONTLOADED BRAND-BUILDING EXPENSES IN 1H18**
- Elevated OpEx as a % of sales year-on-year mainly brought about by increase of **FREIGHT AND LOGISTICS COSTS** from both higher fuel prices and investments in distribution structures in Visayas and Mindanao

Higher Financing Costs to Support Growing Working Capital



Interest Expense



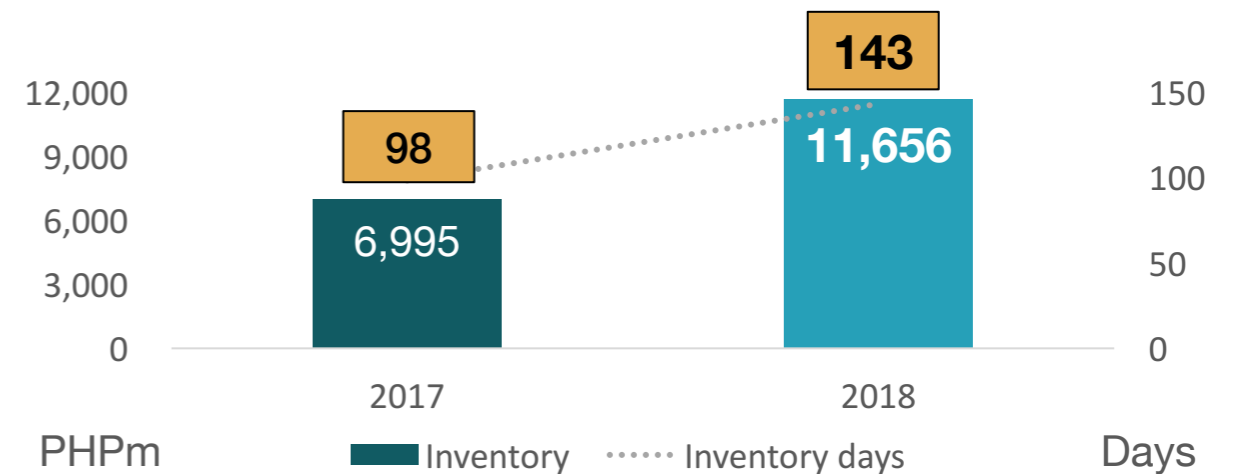
GEARING RATIO (x)

0.38
FY 2018

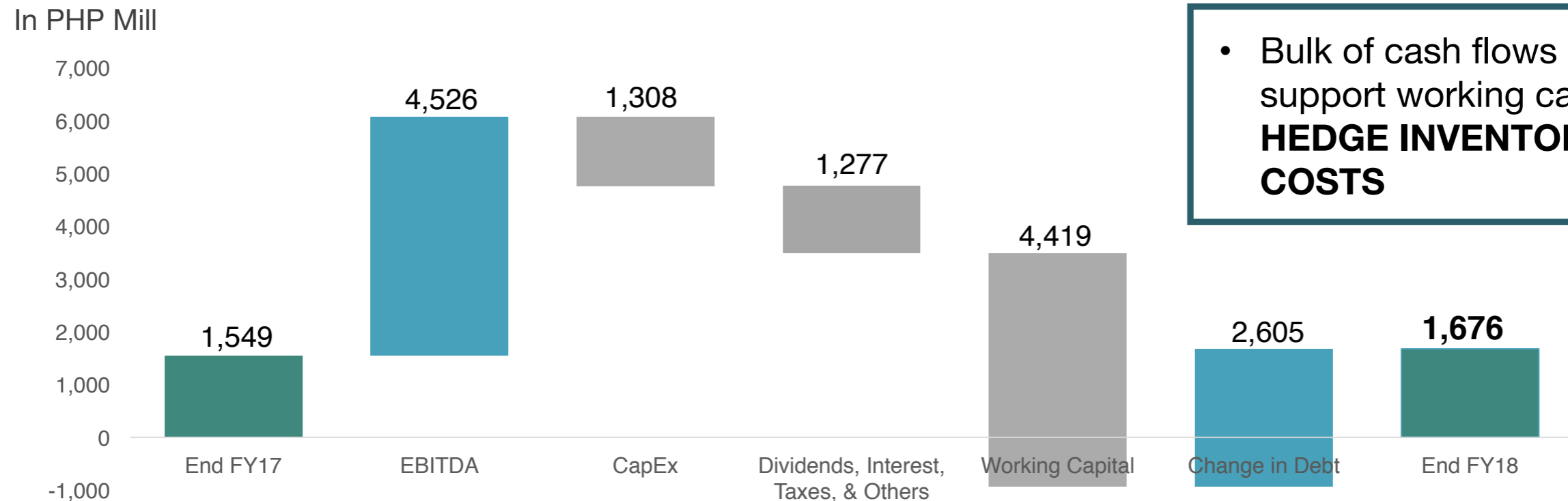
NET GEARING RATIO (x)

0.28
FY 2018

Inventory



Cash Flow Bridge



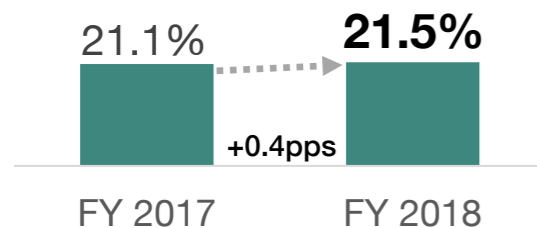
- Bulk of cash flows used to support working capital to **HEDGE INVENTORY COSTS**

*Period-end figures were used to compute for working capital components.

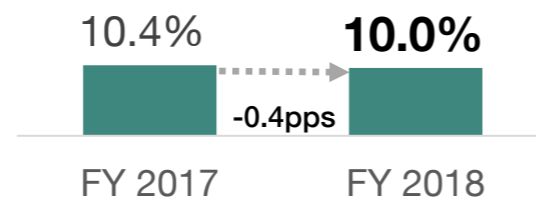
Gross Margins Steady; OpEx Picks Up from Low Base



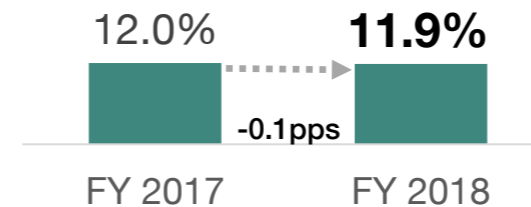
Gross Margin



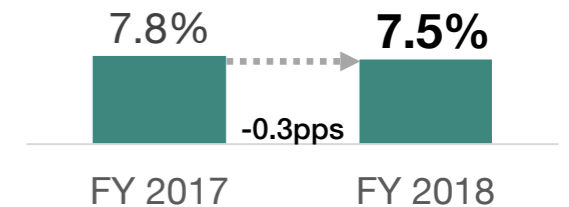
Operating Margin



EBITDA Margin



Net Margin



- **STEADY PROFITABILITY YEAR-ON-YEAR** driven by:
 1. Favorable tuna and coconut raw material price trend
 2. Marginal price increases
- **MARGIN PRESSURE SEQUENTIALLY** due to:
 1. Pressure from other raw materials and packaging costs
 2. Sales mix

- Increase in **OPEX** due to:
 1. Higher freight and logistics cost
 2. Continued investments in brands and supply chain
- Additional margin compression at **NET PROFIT** level driven by:
 1. CapEx-driven increase in depreciation
 2. Higher financing cost

Reverting to Double-Digit Growth for Top Line and Bottom Line in FY 2019



2019 Guidance and Outlook

TOP LINE

- **Low double-digit revenue growth**
- Top line will continue to be anchored by branded business
- Expected recovery in growth of OEM exports

BOTTOM LINE

- **Low double-digit profit growth**
- Cost pressures from meat and milk inventory offset by flattish tuna and coconut prices
- Subdued inflation and interest rate outlook
- However, initial one-off costs for new product innovations may temper margin upside

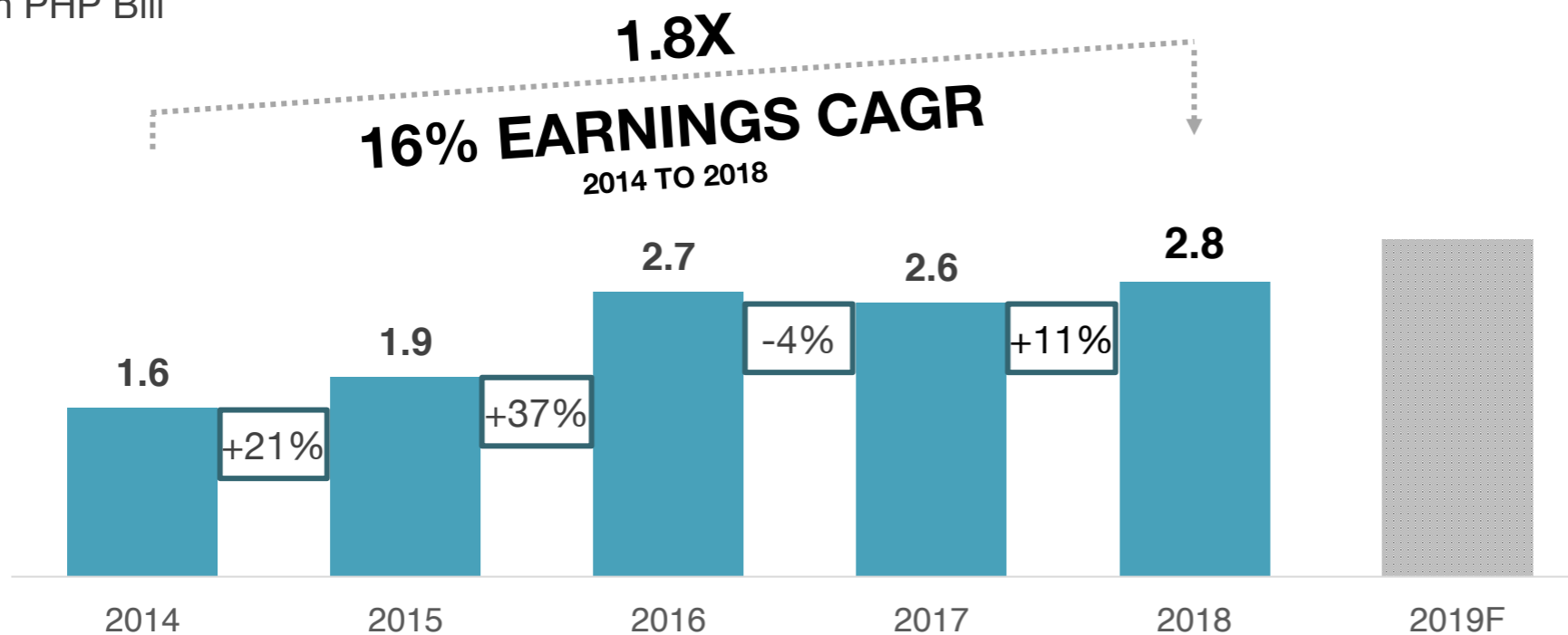
Pursuing Long-Term Sustainable Growth



Earnings CAGR still **IN LINE WITH LT Target**

Aspire to **DOUBLING NET INCOME** over 5 years

Net Income
In PHP Bill



1.6X TO 2.0X
OR
10 TO 15% CAGR
2014 TO 2019 TARGET

- Next-stage growth to anchor on **NEW PRODUCT INNOVATIONS**
- Long-term financial goals now coupled with **LONG-TERM SUSTAINABILITY** via Project InSpire, looking at other non-financial metrics





OTHER FINANCIALS

FY 2018 Summarized Cash Flow



In PHP Mill	FY 2017	FY 2018
Profit before Tax	3,322	3,602
Depreciation & Amortization	525	727
Working Capital Change	(321)	(4,419)
Income Tax	(1,019)	(681)
Others	(295)	353
OPERATIONS CASH FLOWS	2,212	(418)
Additions to PPE	(1,532)	(1,308)
INVESTING CASH FLOWS	(2,038)	(1,230)
Interest Paid	(105)	(191)
Change in Debt	1,404	2,605
Others	(620)	(638)
FINANCING CASH FLOWS	679	1,776
NET CHANGE IN CASH	853	128
CASH, ENDING	1,549	1,676
FREE CASH FLOW	680	(1,726)

- Higher depreciation due to **PPE INVESTMENTS** needed to sustain long-term growth

- Working capital surge due to significant **RAW MATERIAL INVENTORY** to hedge input costs

- Majority of CapEx spent for **AUTOMATION**, and **EXPANSION OF FACILITIES AND PRODUCTION LINES**

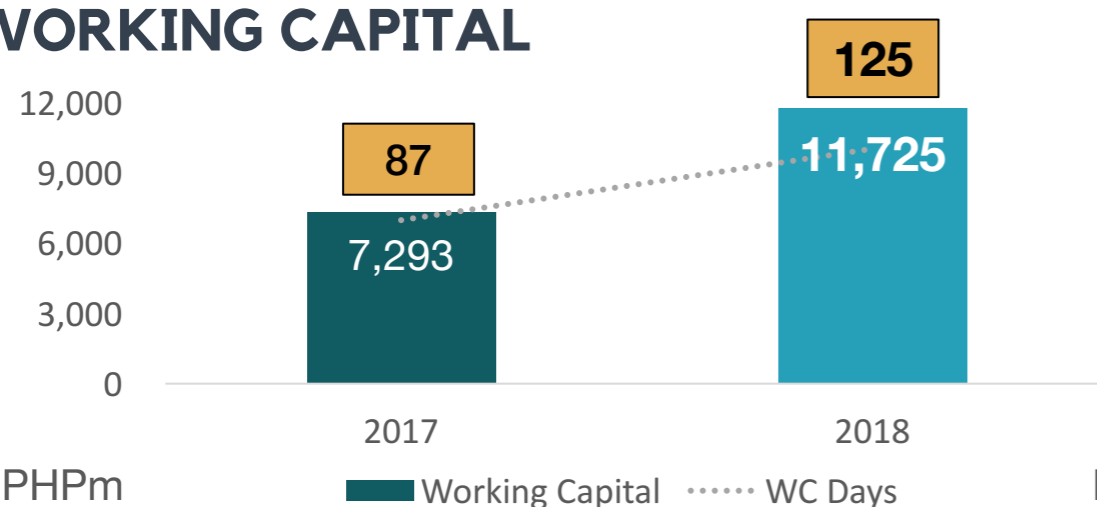
- Increase in PHP-denominated debt to **SUPPORT WORKING CAPITAL REQUIREMENTS**

Working Capital Details

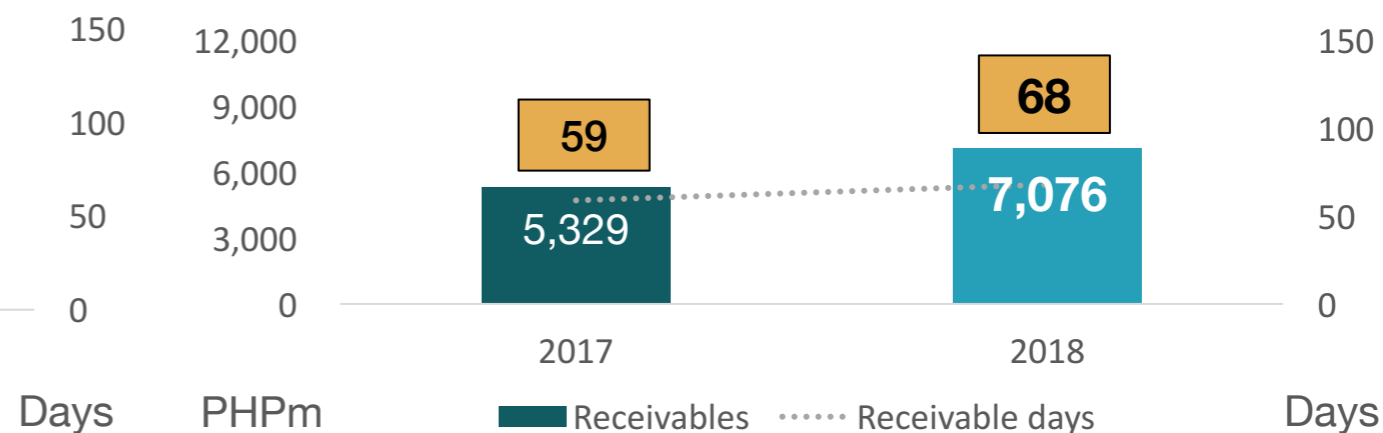


- **STRETCH IN INVENTORY DAYS** to 143 brings cash conversion cycle longer to 125
- Higher **RAW MATERIAL INVENTORY** reflects tuna price movement
- Longer receivable and inventory days **SLIGHTLY CUSHIONED** by payable days extension to 86

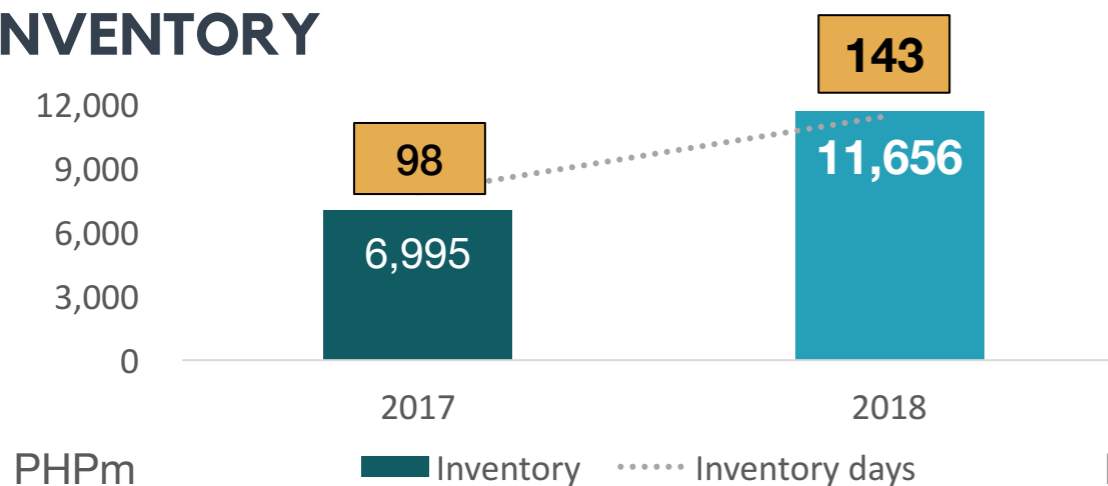
WORKING CAPITAL



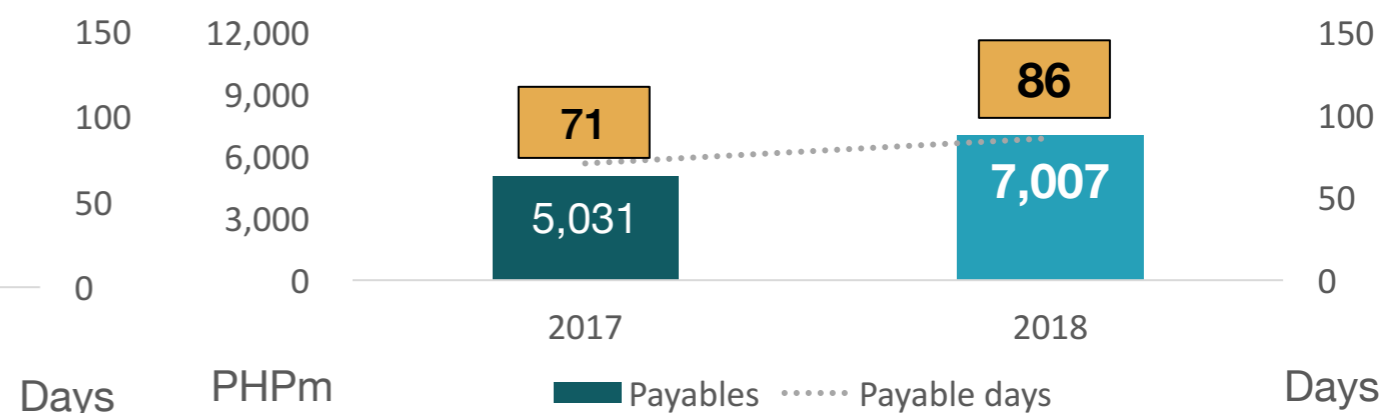
RECEIVABLES



INVENTORY



PAYABLES



*Period-end figures were used to compute for working capital components.

FY 2018 Summarized Balance Sheet



In PHP Mill	2017	2018	In PHP Mill	2017	2018
Cash	1,549	1,676	Trade and Other Payables	5,031	7,007
Receivables	5,329	7,076	Notes Payable - Current	2,089	3,210
Inventory	6,995	11,656	Long-Term Loan	1,620	3,103
Current Assets	14,684	21,042	TOTAL LIABILITIES	8,876	13,613
PPE	4,936	5,458	Retained Earnings	5,934	8,164
Non-Current Assets	8,675	9,296	TOTAL EQUITY	14,483	16,725
TOTAL ASSETS	23,359	30,337	BVPS (PHP/sh)	4.09	4.72

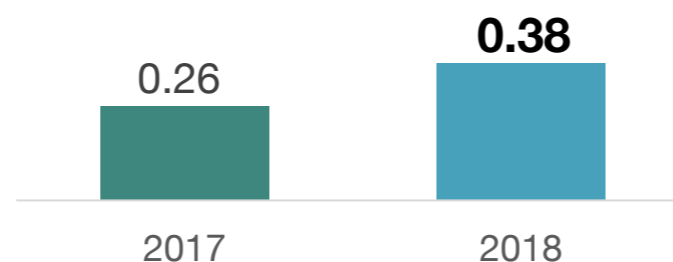
- Longer **CASH CONVERSION CYCLE** of 125 days versus 87 days as of end 2017
- Uptick in **INVENTORY** due to growing volumes and stretch in inventory days

- Loans totaling PHP6.3 billion **ALL PESO-DENOMINATED**
- FY 2018 consolidated **NET INCOME** of PHP2.83 billion

Financial Ratios

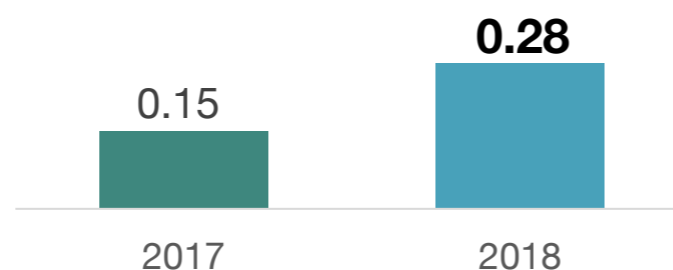


Gearing (x)



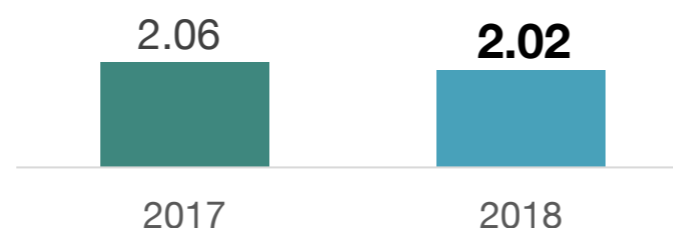
- **COMFORTABLE LEVEL** of gearing ratios maintained despite increase in debt

Net Gearing (x)



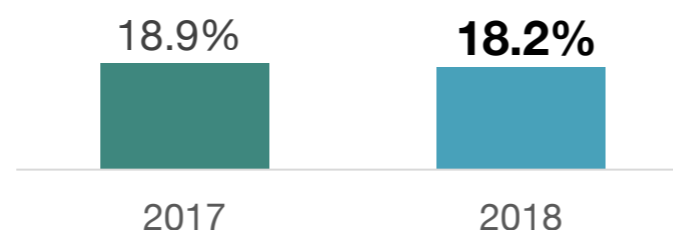
- **INCREASE IN LONG-TERM, PESO-DENOMINATED DEBT** in FY 2018 led to higher leverage ratios

Current Ratio (x)



- Steady current ratio implies **HEALTHY LIQUIDITY**

Return on Equity



- **MAINTAINED INDUSTRY-LEADING ROE** in the high teens

Impact of Accounting Changes: IFRS 15



IFRS 15: Accounting for Revenue from Contracts with Customers

↓
Net Revenues
Gross Profit Margin
Operating Expenses

↑
Operating Margin
Net Margin

→
Operating Income
Net Income

- Downward adjustment on **NET REVENUES, GROSS PROFIT, and OPERATING EXPENSE** due to IFRS 15
- Operating income and net income unaffected
- **GROSS PROFIT MARGIN** consequently adjusted downward
- **OPERATING AND NET MARGINS** slightly adjusted upward

In PHP Mill	2018 Pre-IFRS 15	2018 Post-IFRS 15	Variance
IFRS 15 Adjustment		1,823	
Net Revenues	39,708	37,885	-5%
Cost of Sales	29,738	29,738	0%
Gross Profit	9,971	8,148	-18%
Operating Expenses	6,543	4,721	-28%
Operating Income	3,799	3,799	0%
Net Income	2,834	2,834	0%
Margins (%)			
Gross Profit	25.1%	21.5%	-3.6 pps
Operating Income	9.6%	10.0%	+0.4 pps
Net Income	7.1%	7.5%	+0.4 pps

Impact of Accounting Changes: IFRS 15



IFRS 15: Accounting for Revenue from Contracts with Customers



- **MARGIN MOVEMENTS YEAR-ON-YEAR REMAIN SIMILAR** at +0.4pps for gross margin and -0.3pps at net level
- **GROWTH RATES UNCHANGED** due to retroactive application of IFRS 15

In PHP Mill	2017 Post-IFRS 15	2018 Post-IFRS 15	Growth YoY Post-IFRS 15
IFRS 15 Adjustment	1,588	1,823	
Net Revenues	32,907	37,885	15%
Cost of Sales	25,973	29,738	14%
Gross Profit	6,935	8,148	17%
Operating Expenses	3,893	4,721	21%
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Margins (%)			
Gross Profit	21.1%	21.5%	+0.4 pps
Operating Income	10.4%	10.0%	-0.4 pps
Net Income	7.8%	7.5%	-0.3 pps



ANNEX

2018 Marine Sustainability Report



Century Pacific remains a committed member of global initiatives that address sustainability issues, particularly those involving tuna supply.

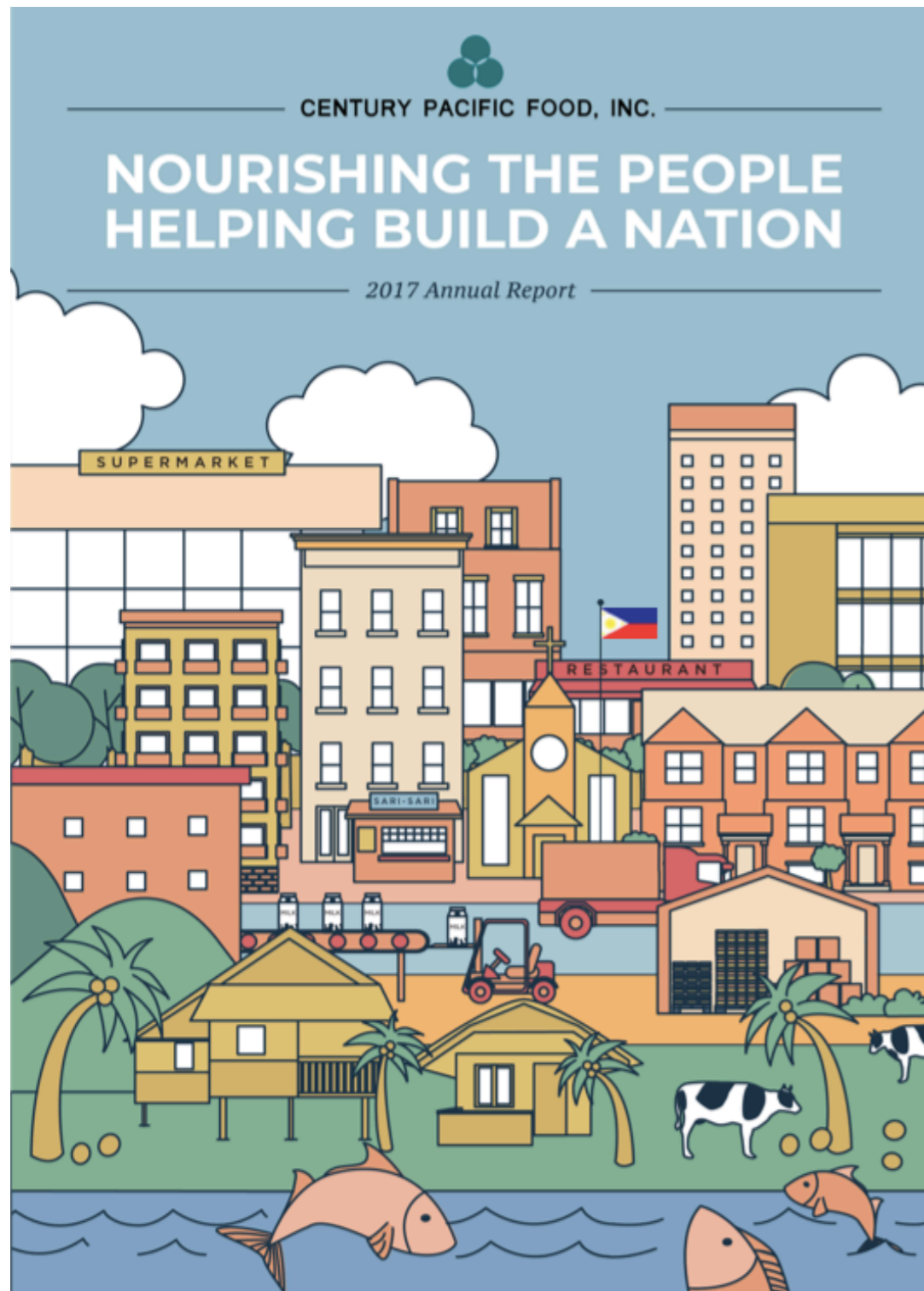
In particular, its on-going membership in the [International Seafood Sustainability Foundation \(ISSF\)](#), through wholly-owned subsidiary General Tuna Corporation, requires strict compliance to all ISSF conservation measures. ISSF engages MRAG Americas to conduct an audit of this performance against conservation measures and commitments in force in 2015. MRAG's latest 2018 audit showed General Tuna Corporation as **fully compliant** with all measures.



- 1) Tuna Regional Fisheries Management Organizations (RFMO) Authorized Vessel Record
- 2) RFMO Participation
- 3) Product Traceability
- 4) Quarterly Data Submission to RFMO
- 5) Shark-Finching Policy
- 6) Prohibition of Transactions with Shark-Finching Vessels

- 7) Prohibition of Transactions with Companies without a Public Policy Prohibiting Shark Finning
- 8) Large-scale Pelagic Driftnets Prohibition
- 9) Full Retention of Tunas
- 10) Skippers Best Practices
- 11) Transactions with Vessels that Use Only Non-Entangling Fish Aggregating Devices (FADs)
- 12) Unique Vessel Identifiers (UVI)- International Maritime Organization (IMO)
- 13) Purse Seine Unique Vessel Identifiers
- 14) Observer Coverage
- 15) Transshipments
- 16) Illegal, Unreported and Unregulated (IUU) Fishing
- 17) IUU Product Response
- 18) Transaction Ban for Large-Scale Purse-Seine Vessels not Actively Fishing for Tuna as of December 31, 2012
- 19) Purchases from Purse Seine Vessels in Fleets with Other Vessels Not in Compliance with ISSF Conservation Measures 6.1 and 6.2(a)
- 20) Registration of Controlled Vessels
- 21) Purchases from Proactive Vessel Register (PVR) Vessels

2017 Glossy Annual Report



CNPF's 2017 Glossy Annual Report can be found in the Company's corporate website

www.centurypacific.com.ph :

Investor Relations > Investor Presentations & Reports

<http://www.centurypacific.com.ph/investorpdf/CNPF%202017%20Glossy%20Annual%20Report.pdf>



LETTER FROM THE EXECUTIVE CHAIRMAN

Dear Fellow Shareholders,

Our direction as a company is to grow the business 10% to 15% a year, year-on-year, for the next 10 years. We think this is a stretching but an attainable target given that the Philippine economy is expanding at around 6% to 7%.

Measuring ourselves against these performance indicators, we can say that the years 2014 to 2016 were outstanding years as revenues increased at a compounded annual rate of 18%. During this period, our earnings compounded at an annual rate of 29%.

2019 Calendar of IR Activities



Investor Conferences

AUG

26

Macquarie ASEAN Conference
(Singapore)

SEP

2

dbAccess Philippines Corporate Day
(London)

Earnings Release

MAY

8

1Q19 Earnings Release

JUL

1

Annual Stockholders' Meeting

31

2Q19 Earnings Release

NOV

6

3Q19 Earnings Release

**Schedule updated as of 15 April 2019*

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Any reference herein to "the Company" shall mean, collectively, Century Pacific Food, Inc. and its subsidiaries.



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