

**CENTURY PACIFIC FOOD, INC.**

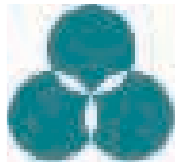
**CNPF**

**FULL YEAR 2019 AUDITED  
RESULTS PRESENTATION**

**APRIL 2020**

**CNPF *IR***





# 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

**Reinforce current businesses and brands to deliver quality and value-for-money products that generate attractive returns through responsible sourcing and operational excellence**

2

**Strengthen the organization that attracts, nurtures, and retains passionate and high performing corporate entrepreneurs and teams who live balanced lives**

3

**Pioneer the development of healthier and tastier food and beverages that consumers love and trust through latest credible nutrition science and effective branding**

4

**Scale up the business across the globe by creating consumer and customer connections and experiences in a more profitable and sustainable way across the value chain**



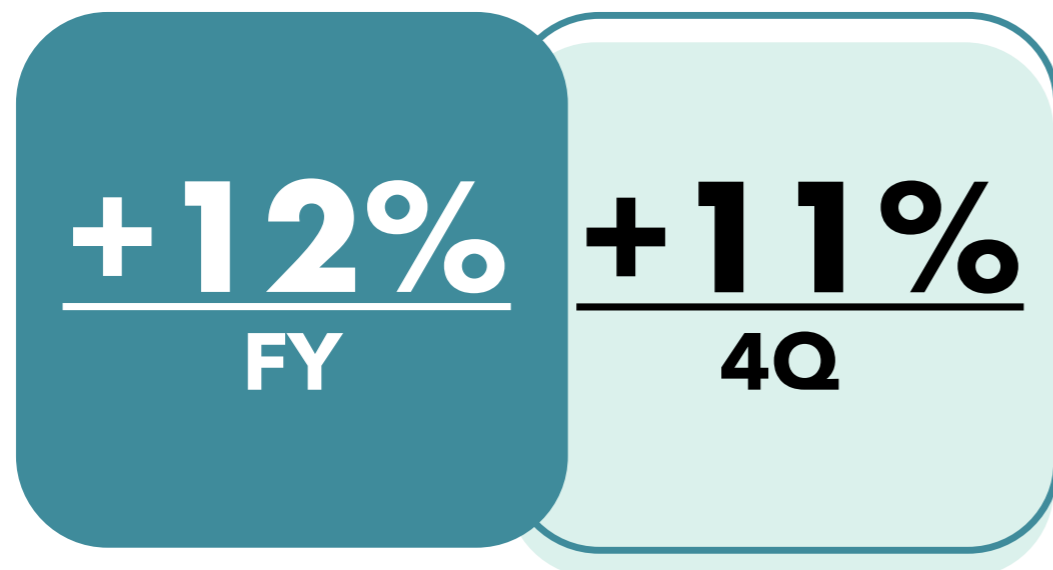
# LATEST FINANCIAL PERFORMANCE & OUTLOOK



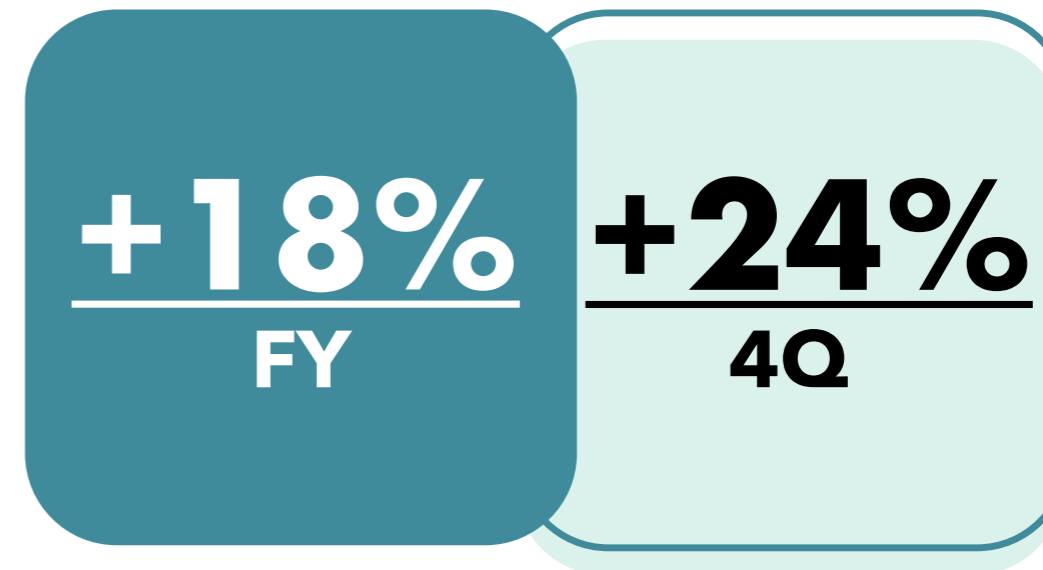
# Financial Results Highlights



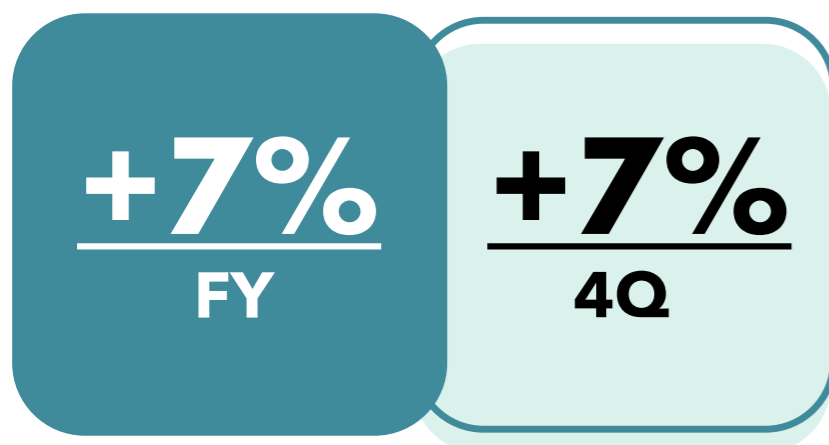
## BRANDED REVENUE GROWTH



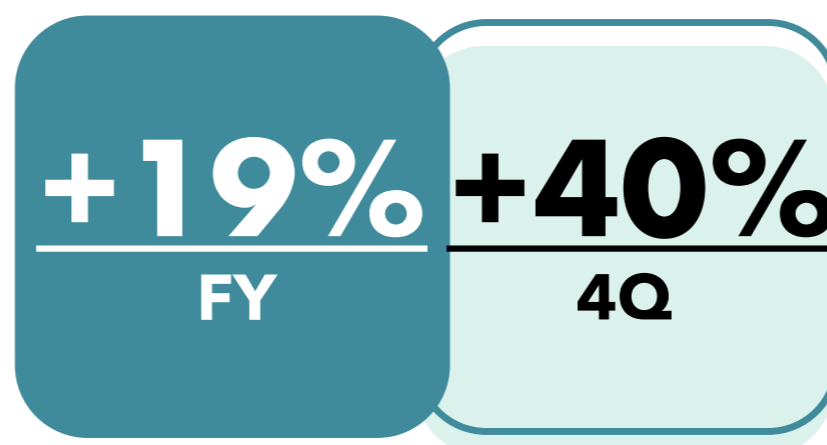
## EBITDA GROWTH



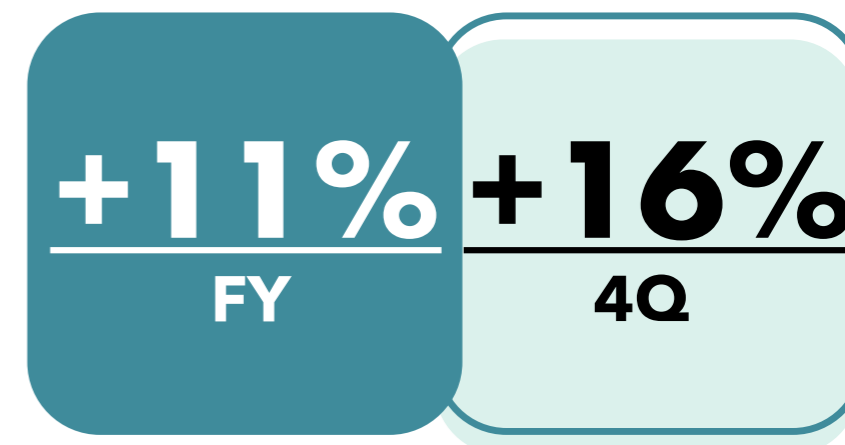
## TOTAL REVENUE GROWTH



## GROSS PROFIT GROWTH



## NET INCOME GROWTH



# FY 2019 Summarized P&L



In PHP Mill	FY 2018	FY 2019	Change YoY
<b>Net Revenues</b>	<b>37,885</b>	<b>40,560</b>	<b>7%</b>
Cost of Sales	29,738	30,836	4%
<b>Gross Profit</b>	<b>8,148</b>	<b>9,724</b>	<b>19%</b>
Operating Expenses	4,721	5,333	13%
<b>Operating Income</b>	<b>3,799</b>	<b>4,408</b>	<b>16%</b>
<b>EBITDA</b>	<b>4,526</b>	<b>5,340</b>	<b>18%</b>
Financing Cost - Net	197	369	88%
<b>Income before Tax</b>	<b>3,602</b>	<b>4,039</b>	<b>12%</b>
Income Tax	768	890	16%
<b>Net Income</b>	<b>2,834</b>	<b>3,149</b>	<b>11%</b>
<b>Earnings per Share</b>	<b>0.80</b>	<b>0.89</b>	<b>11%</b>
<b>Margins (%)</b>			
Gross Profit	21.5%	24.0%	+2.5 pps
Operating Expenses	12.5%	13.1%	+0.6 pps
Operating Income	10.0%	10.9%	+0.9 pps
EBITDA	11.9%	13.2%	+1.3 pps
Net Income	7.5%	7.8%	+0.3 pps

- Revenue growth driven by **DOUBLE-DIGIT INCREASE IN BRANDED SALES**
- **LOWER COMMODITY PRICES** result in decline in OEM export sales, but improve overall profitability

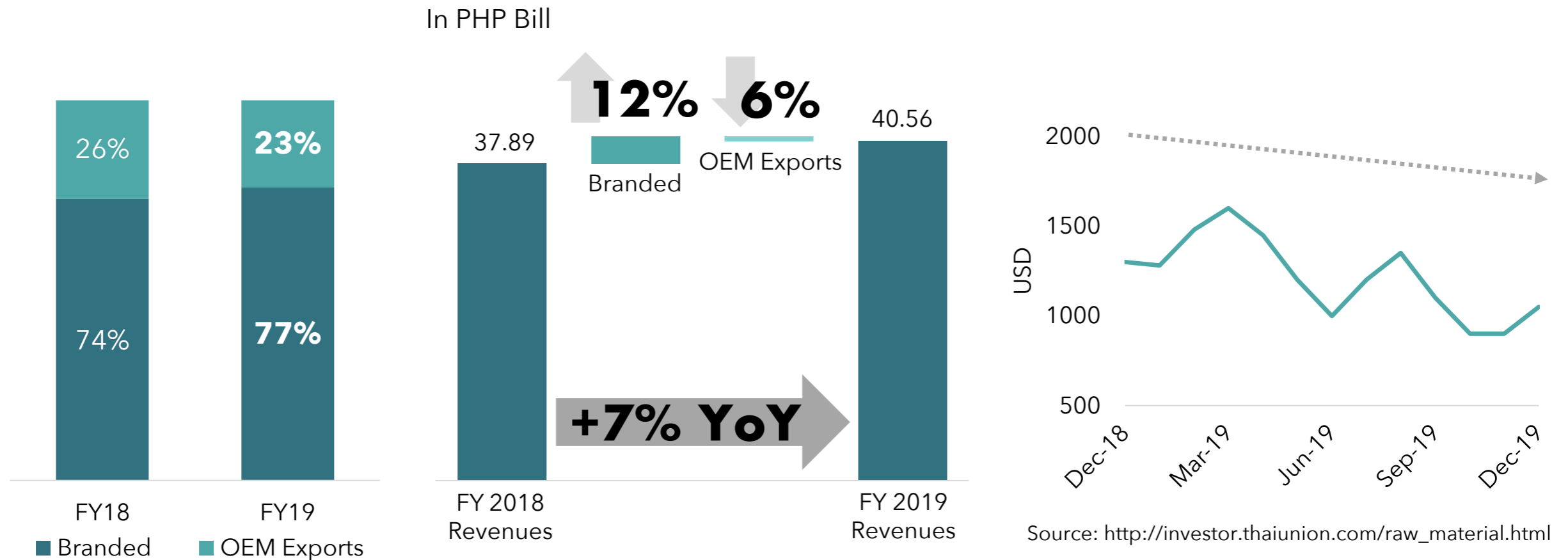
- Gross profit improvement due to **FAVORABLE INPUT COSTS**
- Expansion in gross margin allowed for **INVESTMENTS IN BRANDS AND NEW PRODUCTS**
- Increase in financing cost to support **INVENTORY HEDGE**

- Consolidated net income **HITS FULL-YEAR TARGET OF DOUBLE-DIGIT GROWTH AT +11%**

# Continued Double-Digit Growth in Branded; Dip in OEM Exports Due to Lower Pass-On Prices



## Revenue Breakdown | FY Revenue Growth Split | Skipjack Tuna Price per Ton



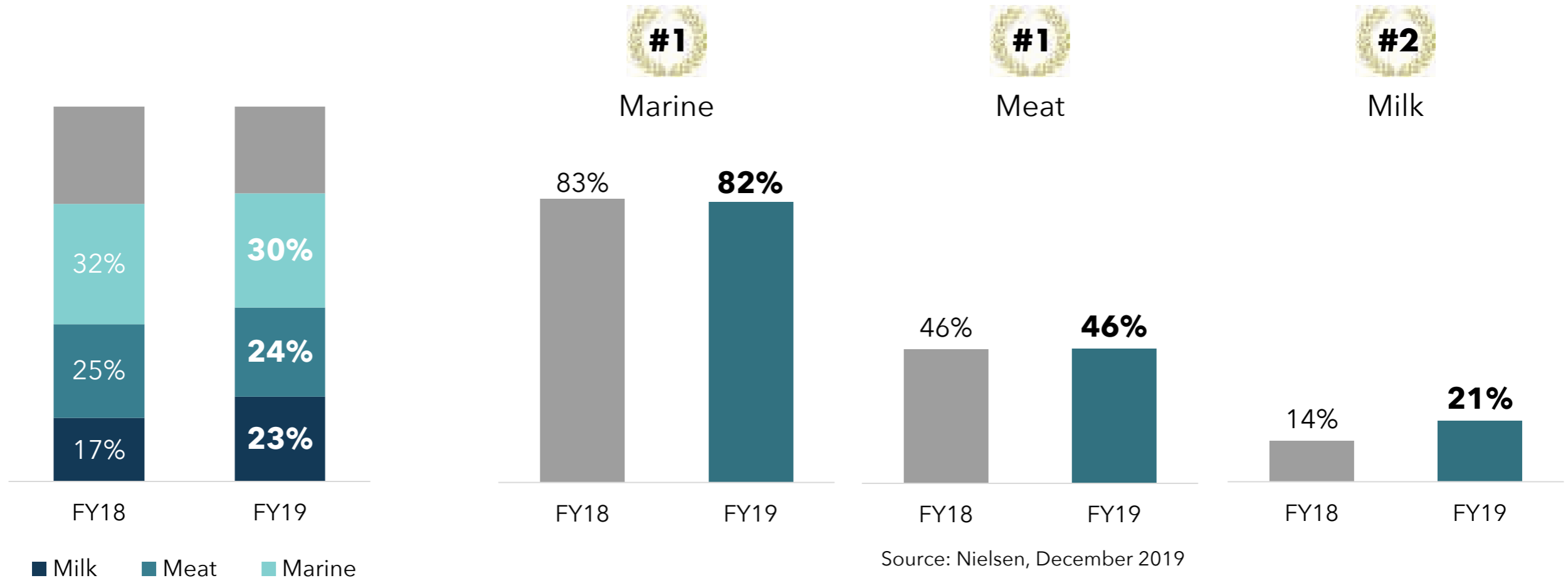
- Consolidated top line growth **UNDERSTATES BRANDED'S GROWTH AND OUTPERFORMANCE**
- **DECLINE IN PASS-ON RAW MATERIAL PRICES** bring OEM export sales lower year-on-year, but improves overall profitability

# Stable Demand in Market-Leading Core; Milk Outperforms with Boost in Market Share



## Branded Breakdown

## Market Shares



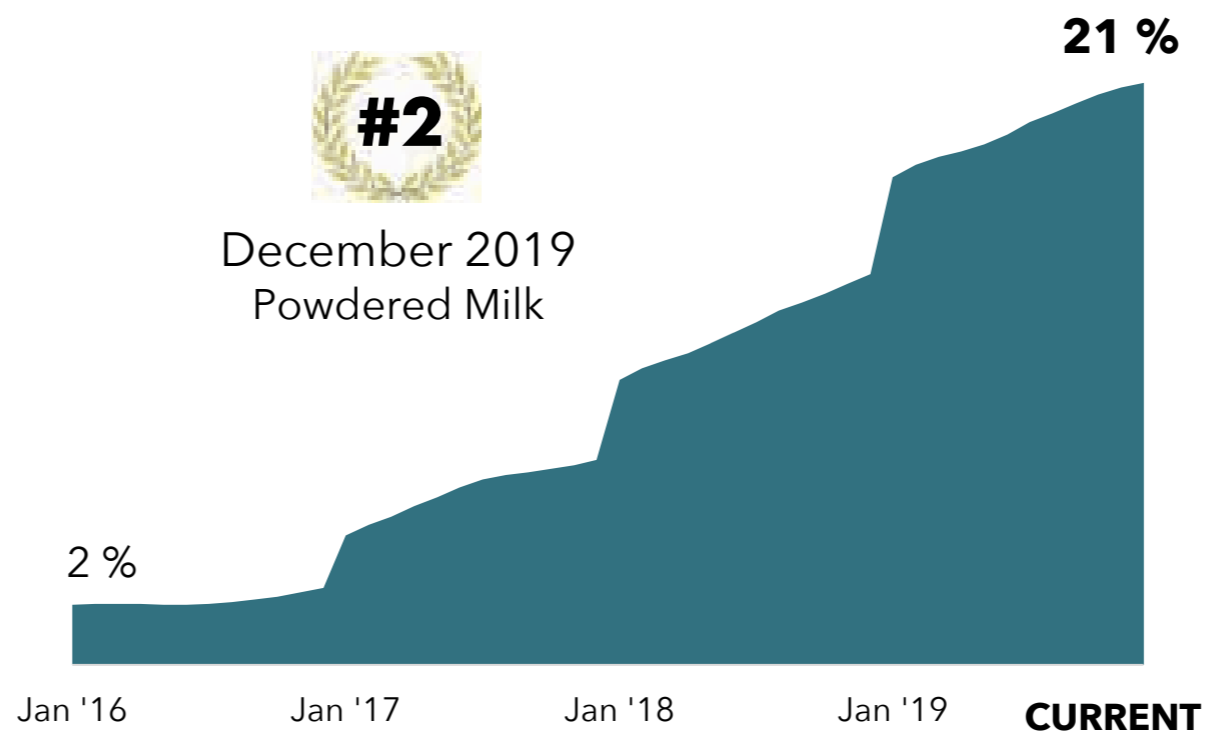
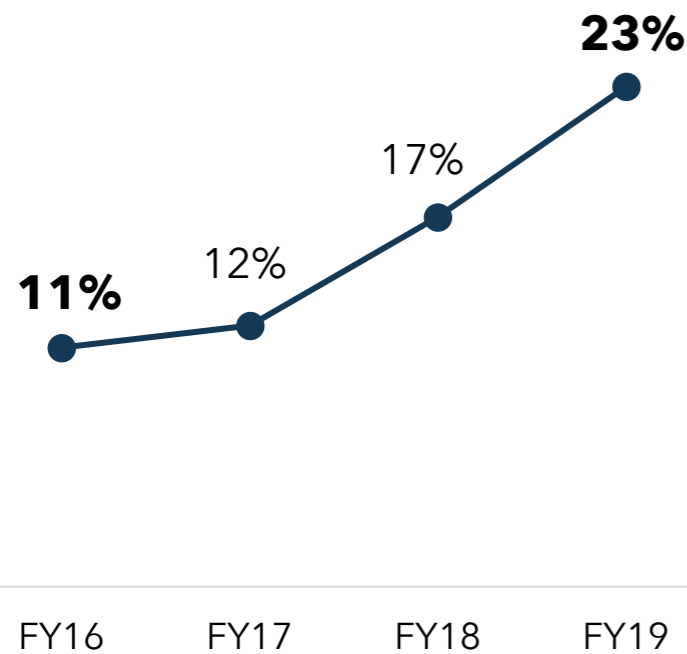
- **ALL BRANDED UNITS REGISTER POSITIVE GROWTH** thanks to marketing and distribution efforts
- **MILK CONTINUES TO BE MAIN DRIVER OF BRANDED GROWTH**, strengthening its challenger position in a fast-growing category

# Milk Emerging as a Strong Third Leg to Branded Business



## Milk as a % of Total Sales

## Powdered Milk Market Share Trend



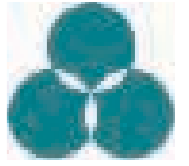
Source: Nielsen

FLAGSHIP  
powdered (drinking)  
milk product



- Milk revenue contribution **MORE THAN DOUBLED** since 2016
- Positioning Birch Tree as a **STRONG CHALLENGER BRAND**

# Building a Brand Platform in a Large and High-Growth Category in the Philippines

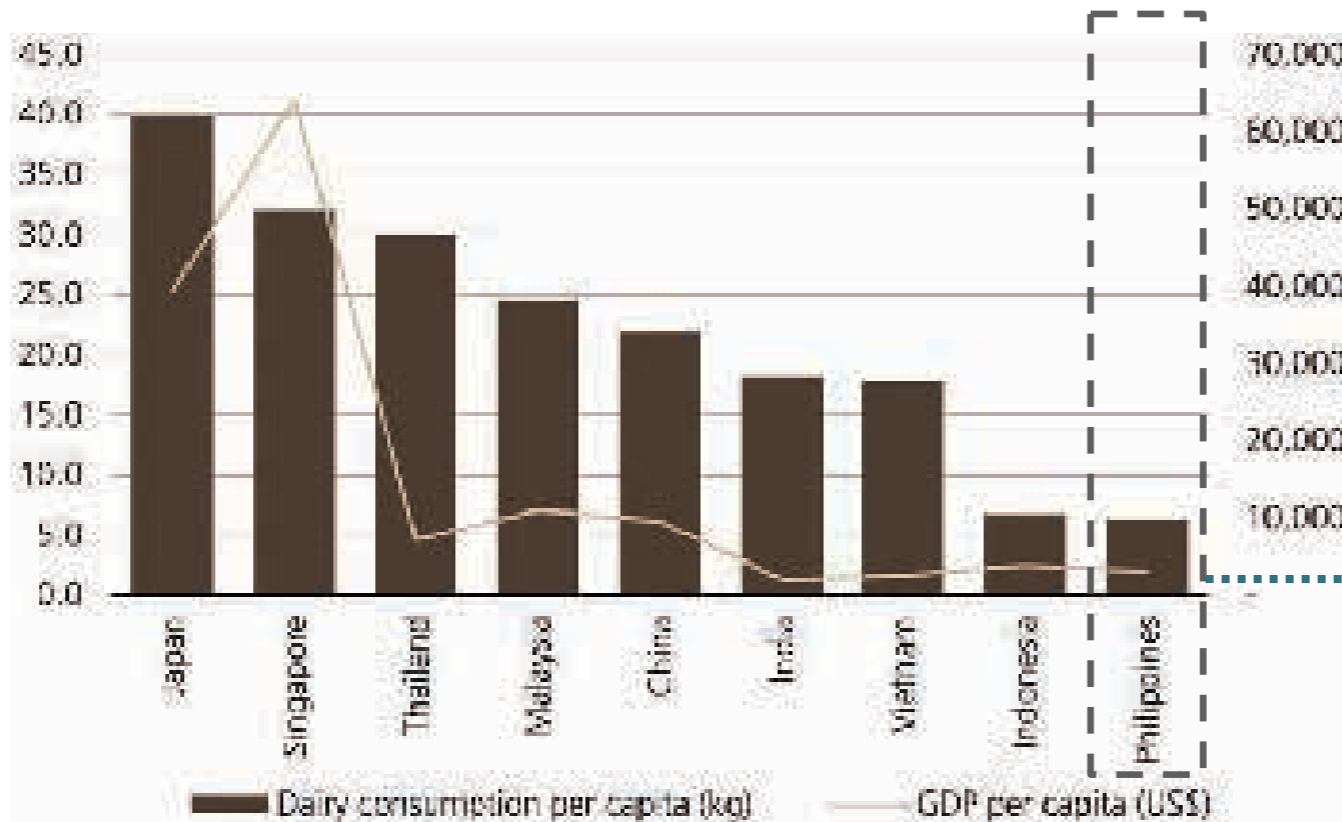


## New SKU

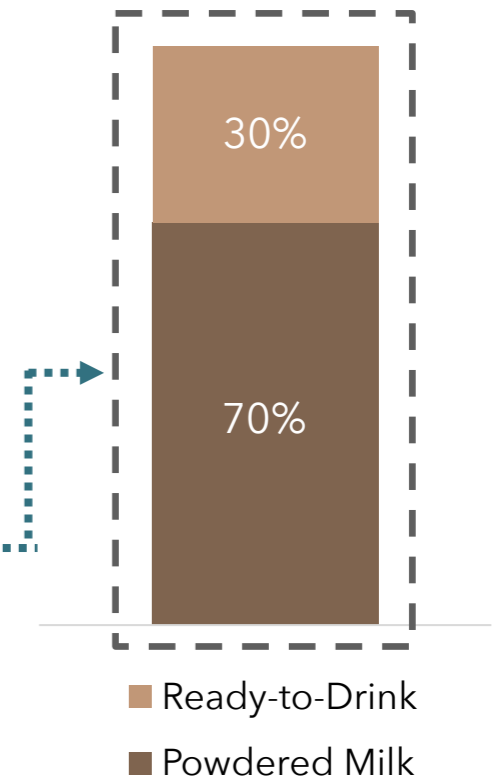
## Dairy Annual Consumption per Capita in 2018

## PH Dairy Market

Utilizing Birch Tree as our BRAND PLATFORM



Source: Euromonitor, UBS



Source: Nielsen

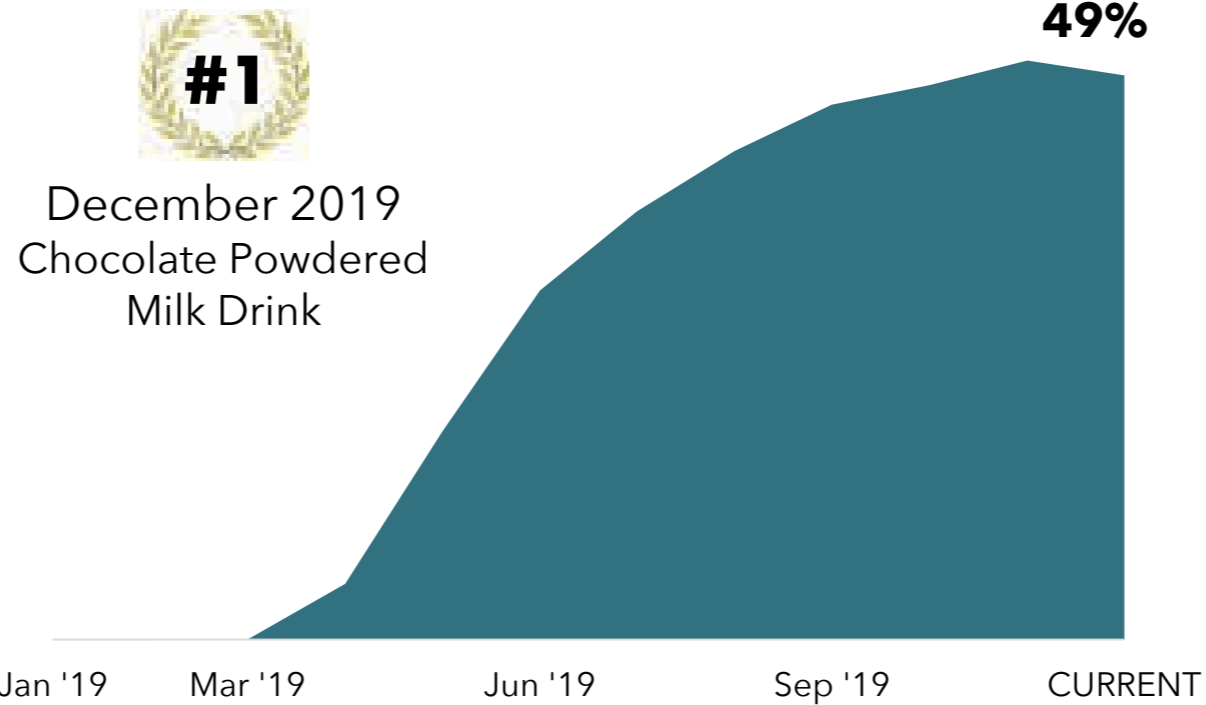
- Leveraging on the Birch Tree brand and the company's extensive distribution network to expand into **OTHER SUBCATEGORIES OF POWDERED MILK**
- Philippine dairy market remains **UNDERPENETRATED** with low per capita consumption

# Investing in Future Platforms of Growth Via a Significant Lineup of Innovations in 2019



## New Product Developments

### 1 MILK BIRCH TREE FORTIFIED CHOCO



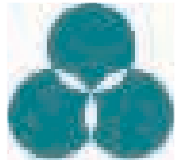
Source: Nielsen



**FIRST FLAVOR EXTENSION** of Birch Tree Milk Powder, capitalizing on the goodwill and momentum of the brand



# Investing in Future Platforms of Growth Via a Significant Lineup of Innovations in 2019

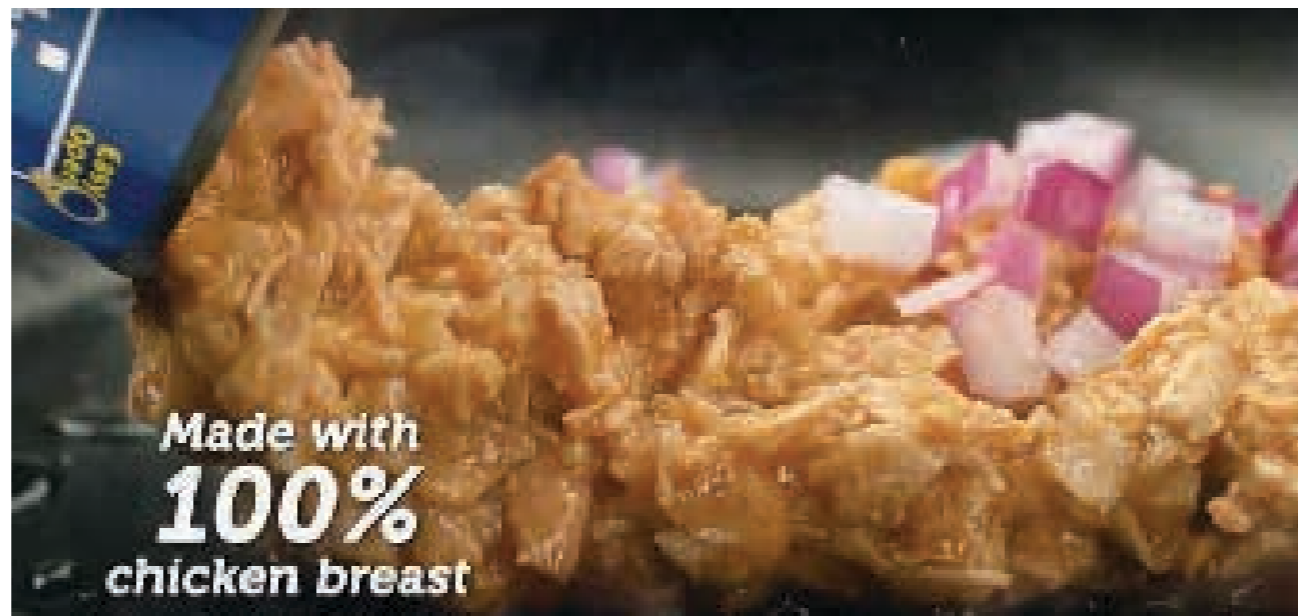


## New Product Developments

### 2 MEAT ARGENTINA CORNER CHICKEN



Positioned as a **HEALTHIER ALTERNATIVE** to traditional canned meat products

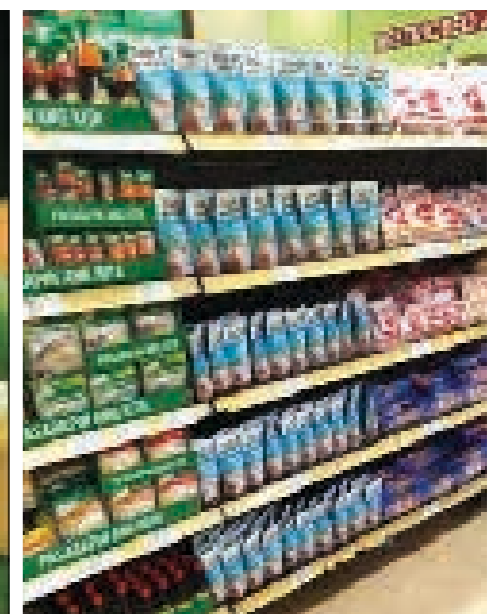


# Investing in Future Platforms of Growth Via a Significant Lineup of Innovations in 2019



## New Product Developments

### 3 COCONUT COCO MAMA COCONUT CREAM

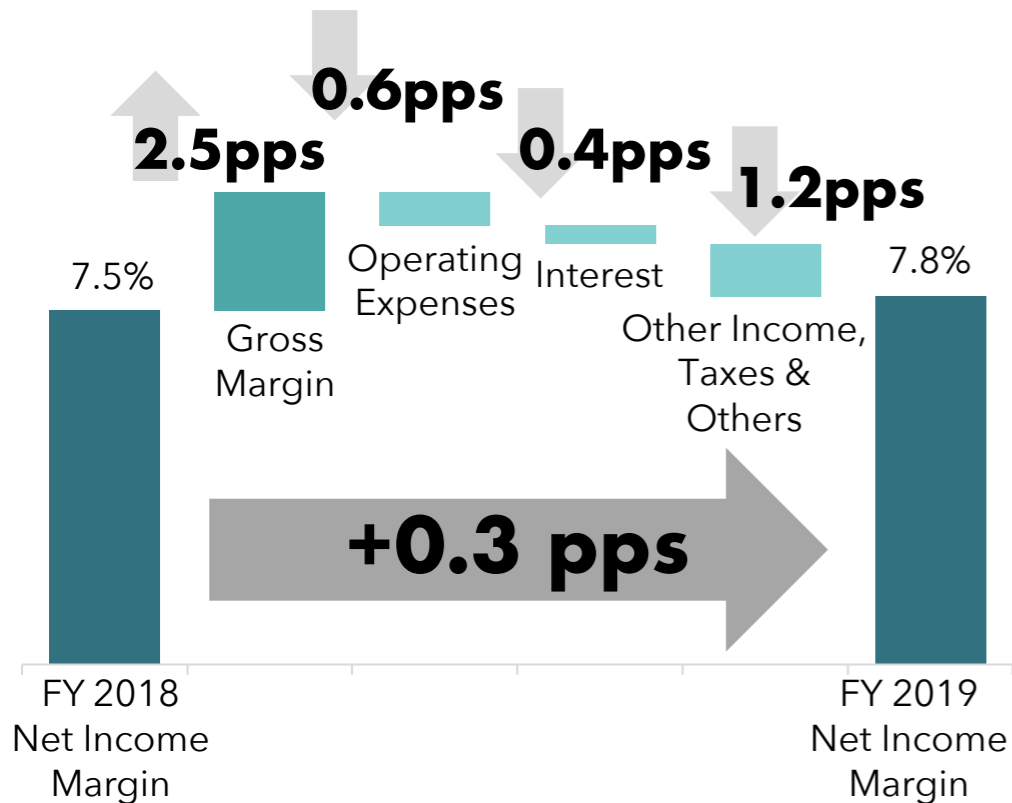


**ENTRY** into the domestic coconut market, addressing the need for **CONVENIENT BUT FRESH** coconut cream for cooking

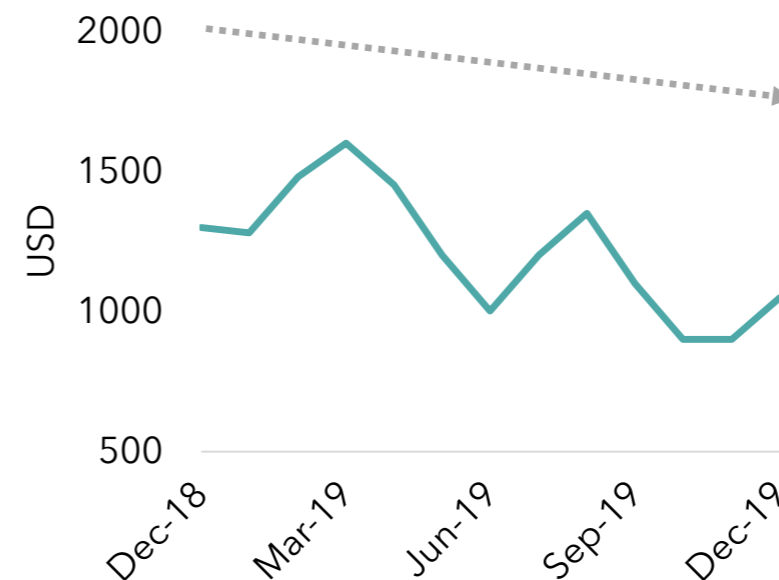
# Favorable Input Costs Lift Profit Margin Higher, Allowing Both Innovation Investments and Double-Digit Profit Growth



## FY19 Net Income Margin Bridge

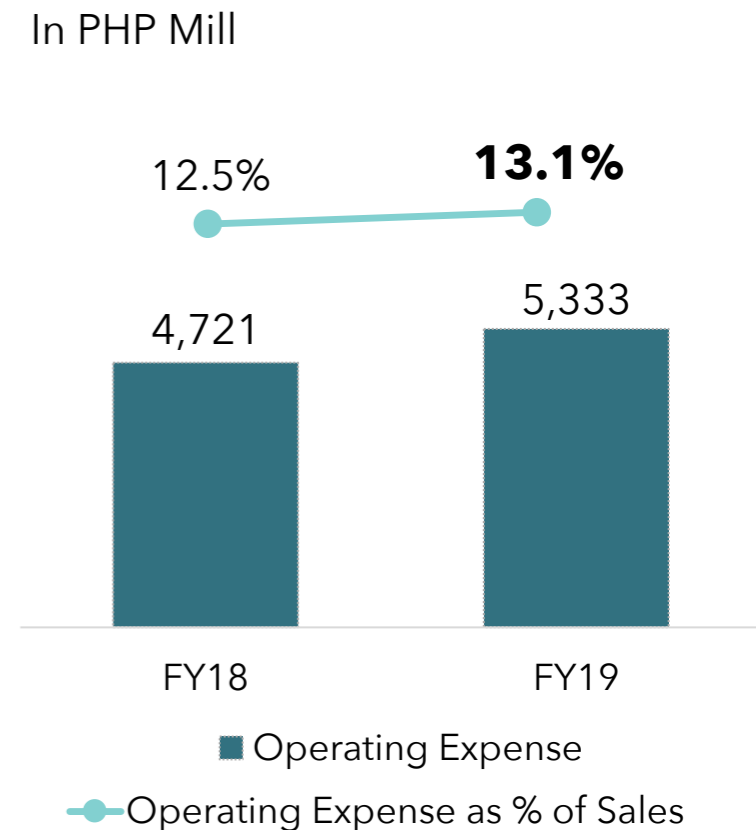


## Skipjack Tuna Price per Ton



Source: [http://investor.thaiunion.com/raw\\_material.html](http://investor.thaiunion.com/raw_material.html)

## Operating Expense



- **SUBDUED TUNA AND COCONUT INPUT PRICES** drive increase in gross margin year-on-year
- **NET INCOME MARGIN IMPROVES** despite significant investments in new product developments and innovation
- Achieved **DUAL OBJECTIVE** of growing double digits and investing for growth

# Higher Margins Year-on-Year Across Gross, Operating, and Net Income Levels

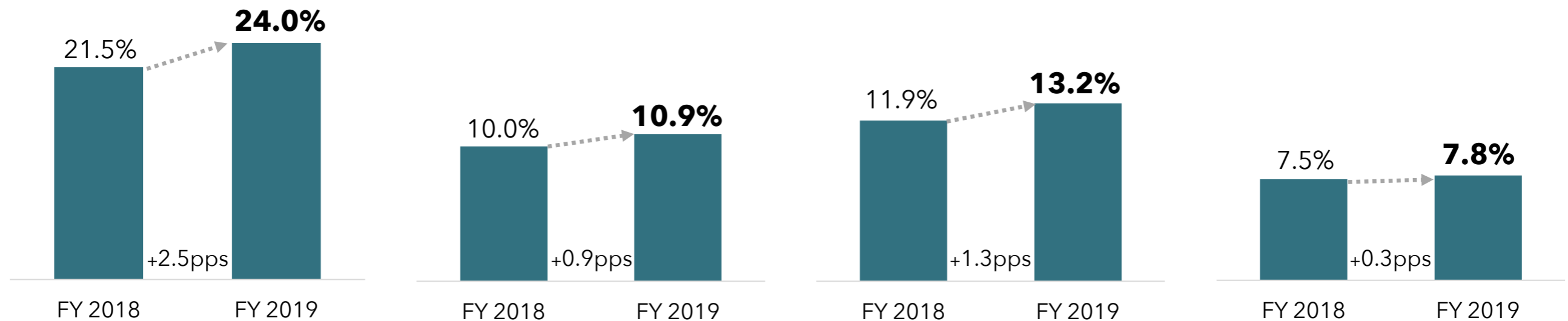


## Gross Margin

## Operating Margin

## EBITDA Margin

## Net Margin



- Higher gross margin driven by **LOWER INPUT PRICES**
- More moderate improvement in operating margin driven by **INNOVATION-DRIVEN JUMP IN OPERATING EXPENSES**
- Subdued increase in net margin due to **HIGHER FINANCING COSTS**

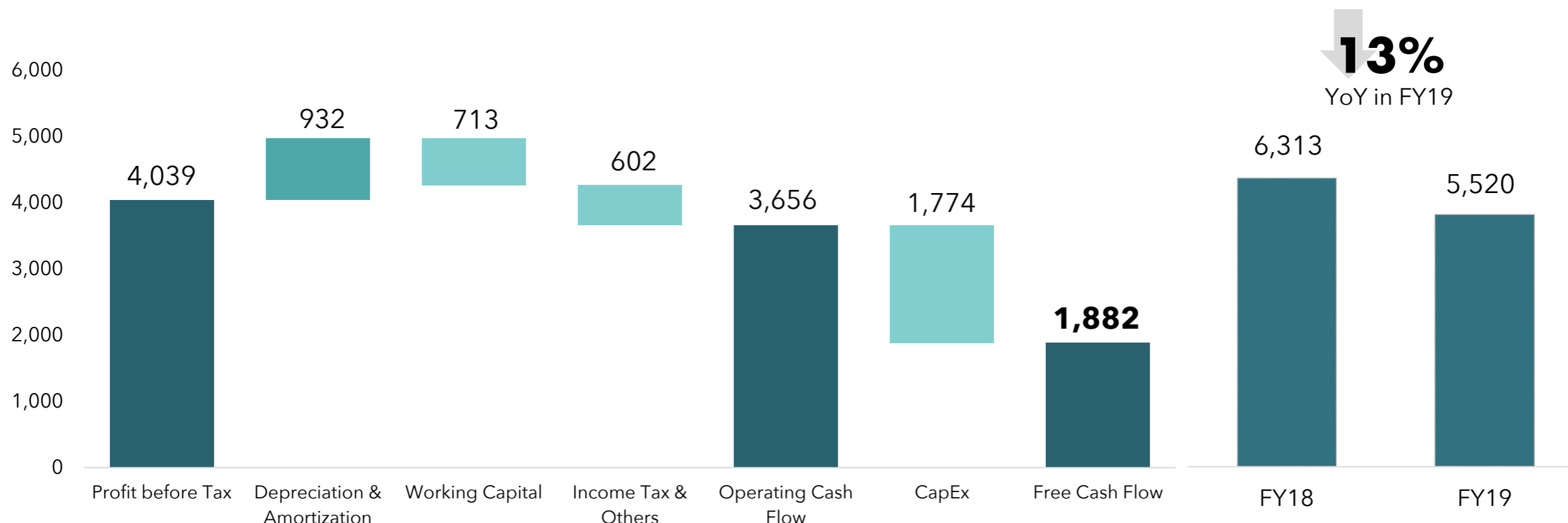
# Healthy Cash Flow Generation as Working Capital Stabilizes; Excess Cash to Fund Capital Expenditures and Pay Down Debt



## Free Cash Flow Bridge

## Interest-Bearing Debt

In PHP Mill



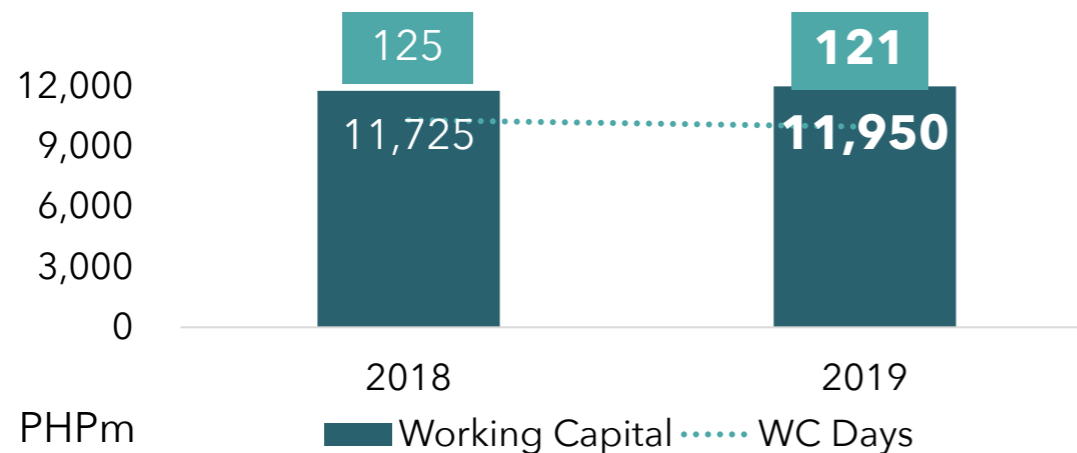
- Operating cash flows turn positive due to **STABILIZED WORKING CAPITAL LEVEL**
- Cash flow used to finance major capital expenditure projects, including **TUNA PLANT EXPANSION**
- Also used for **PARTIAL REPAYMENT OF SHORT-TERM DEBT**

# Cash Conversion Cycle Unchanged Due to Stabilized Working Capital Requirements

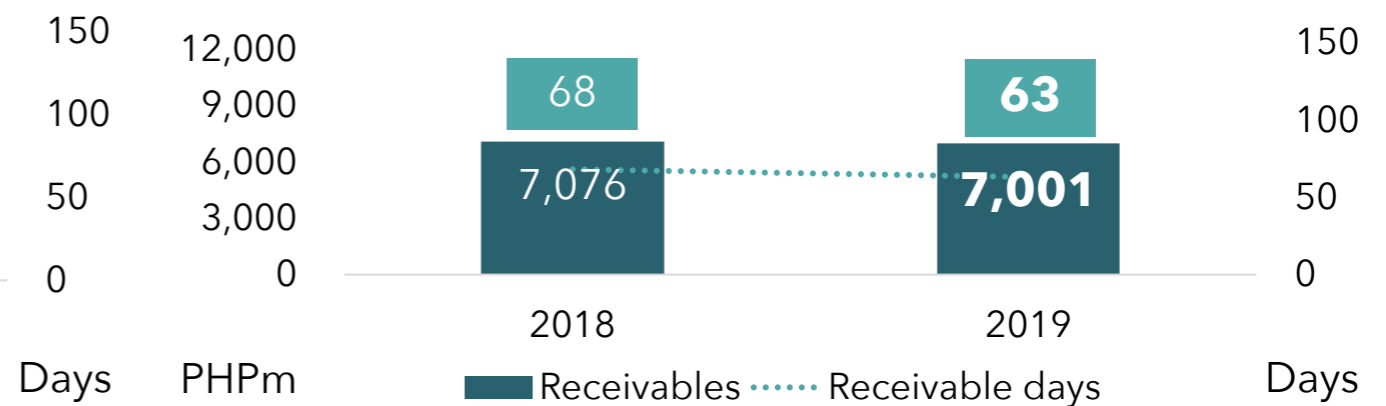


- **MAINTAINED INVENTORY LEVEL** to support inventory hedge
- Shorter payable days **CUSHIONED BY IMPROVED RECEIVABLE DAYS**

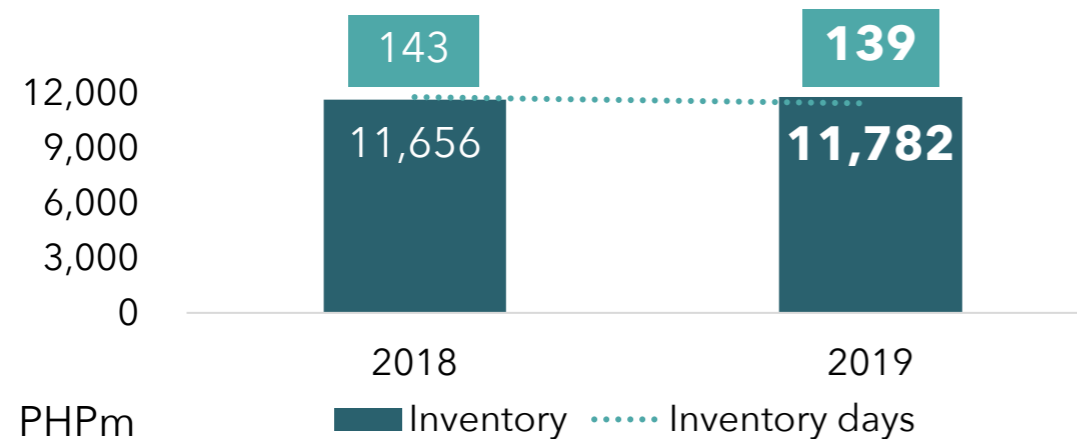
## WORKING CAPITAL



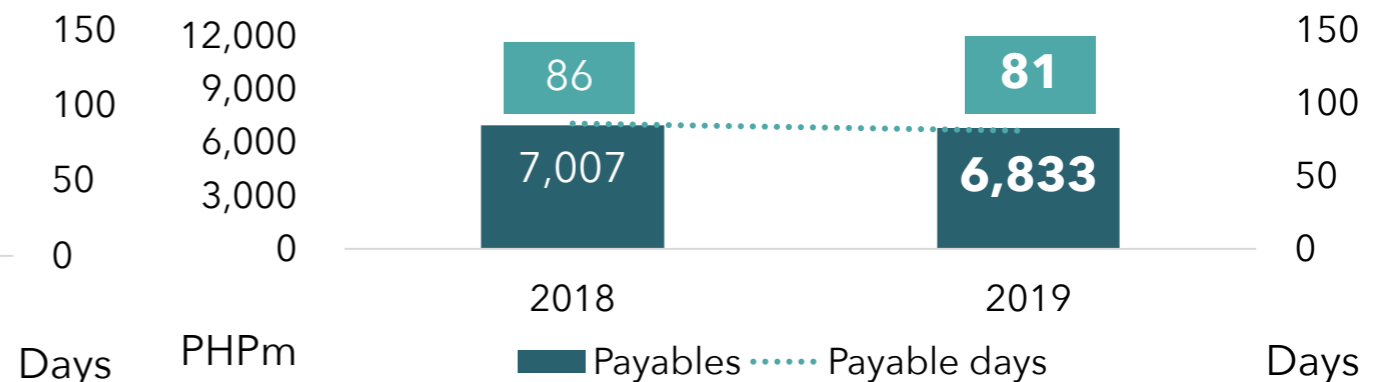
## RECEIVABLES



## INVENTORY



## PAYABLES



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



# COVID-19 UPDATE



# Continuing to Operate and Supply Products Amidst Government-Implemented Community Quarantine



## COVID-19 Update

Our production, distribution, and warehouse facilities, alongside other critical functions, continue to be **OPERATIONAL**.



Tagged as an **ESSENTIAL INDUSTRY**, along with our suppliers and trade distributors



Our products are **BASIC NECESSITIES**, which are seeing an uptick in demand



Ensuring our products are **READILY AVAILABLE** together with the Department of Trade and Industry and the Inter Agency Task Force

The **HEALTH, SAFETY, AND FINANCIAL PROTECTION** of our workforce remain paramount.



Stricter security and safety protocols across all worksites



Free transportation, accommodation, and meals as needed



Advanced release of payroll and pro-rated 13<sup>th</sup> month pay



Distributed free canned products and vitamins

# Joining the Nation in Its Fight Against COVID-19



## COVID-19 Update



**Ensuring enough affordable products are available to those who need them most**

**Providing our employees with care and financial aid, especially to our frontliners who ensure that our products are always available**

**Donating 1 million assorted food packs through the national government and partner LGUs**

**Earmarking financial support to employees, communities, and various institutions**

# Situation Remains Dynamic and Too Early to Determine the Full-Year Effect of COVID-19 on Budgets



## COVID-19 Update

### TOP LINE

- Seeing heightened demand, primarily in our canned food, due to recent quarantine measures.
- Aim to grow 10-15% during normal times. During times of stress, may outperform due to the nature of our products.

### BOTTOM LINE

- Seeing some upside given:
  1. Record demand for our products
  2. Reduced expenses in marketing
  3. Continued favorable raw material prices

**Firmer guidance following Q1 2020 results**



# OTHER FINANCIALS



# FY 2019 Summarized Cash Flow



In PHP Mill	FY 2018	FY 2019
Profit before Tax	3,602	4,039
Depreciation & Amortization	727	932
Working Capital Change	(4,419)	(713)
Income Tax	(681)	(890)
Others	353	288
<b>OPERATING CASH FLOWS</b>	<b>(418)</b>	<b>3,656</b>
Additions to PPE	(1,308)	(1,774)
<b>INVESTING CASH FLOWS</b>	<b>(1,230)</b>	<b>(1,743)</b>
Interest Paid	(191)	(369)
Change in Debt	2,605	(792)
<b>FINANCING CASH FLOWS</b>	<b>1,776</b>	<b>(1,981)</b>
<b>NET CHANGE IN CASH</b>	<b>128</b>	<b>(69)</b>
<b>CASH, ENDING</b>	<b>1,676</b>	<b>1,608</b>
<b>FREE CASH FLOW</b>	<b>(1,726)</b>	<b>1,882</b>

- Decline driven by **STABILIZED WORKING CAPITAL YEAR-ON-YEAR**

- Revert to **POSITIVE OPERATING CASH FLOW**

- Majority of capital expenditure spent for ongoing **AUTOMATION** and **EXPANSION OF FACILITIES AND PRODUCTION LINES**, including a new tuna plant

- Higher interest cost due to **INCREASE IN DEBT IN 2H 2018** and **IMPACT OF IFRS 16**

- Decrease in PHP-denominated debt year-to-date due to **REPAYMENTS IN 2H19**

# FY 2019 Summarized Balance Sheet



In PHP Mill	2018	2019	In PHP Mill	2018	2019
Cash	1,676	1,608	Trade and Other Payables	7,007	6,833
Receivables	7,076	7,001	Notes Payable - Current	3,210	2,434
Inventory	11,656	11,782	Long-Term Loan	3,103	3,087
<b>Current Assets</b>	<b>21,042</b>	<b>21,515</b>	<b>TOTAL LIABILITIES</b>	<b>13,613</b>	<b>13,434</b>
PPE	5,458	6,415	Retained Earnings	8,164	10,611
<b>Non-Current Assets</b>	<b>9,296</b>	<b>11,074</b>	<b>TOTAL EQUITY</b>	<b>16,725</b>	<b>19,154</b>
<b>TOTAL ASSETS</b>	<b>30,337</b>	<b>32,589</b>	<b>BVPS (PHP/share)</b>	<b>4.72</b>	<b>5.41</b>

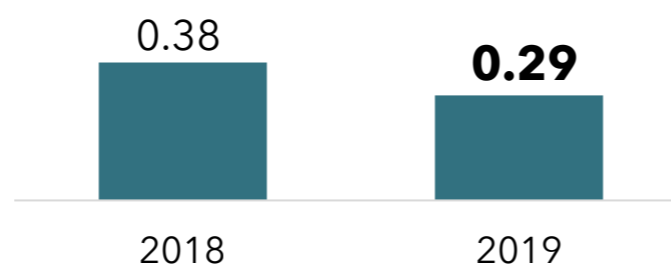
- **MAINTAINED CASH CONVERSION CYCLE** at 121 days versus 125 days as of end-2018
- Increase in fixed assets due to **INVESTMENTS IN ADDITIONAL CAPACITY**

- Loans totaling PHP5.5 billion **ALL PESO-DENOMINATED**
- FY 2019 consolidated **NET INCOME** of PHP3.1 billion

# Financial Ratios

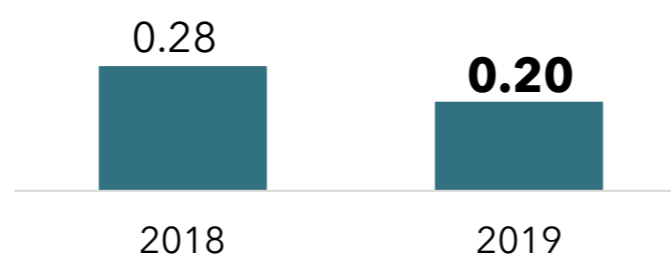


## Gearing (x)



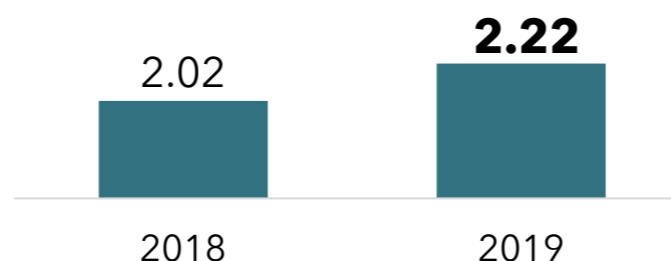
- Lower leverage ratios driven by **DECREASE IN PESO-DENOMINATED DEBT** in 2H19

## Net Gearing (x)



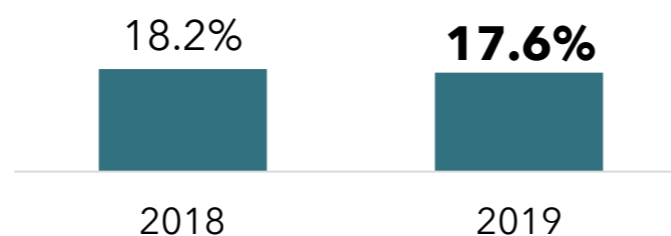
- Healthy gearing ratios lead to **INCREASED FINANCIAL FLEXIBILITY**

## Current Ratio (x)



- Slight improvement in current ratio implies **HEALTHY LIQUIDITY**

## Return on Equity



- Continuing to **INVEST IN GROWTH** while maintaining an **ATTRACTIVE RETURN RATIO** with ROE in the high teens

# FY 2019 Summarized P&L: Audited vs. Unaudited



In PHP Mill	FY 2019 Unaudited	FY 2019 Audited	Variance in PHPm
<b>Net Revenues</b>	<b>40,562</b>	<b>40,560</b>	<b>-2</b>
Cost of Sales	30,820	30,836	16
<b>Gross Profit</b>	<b>9,742</b>	<b>9,724</b>	<b>-18</b>
Operating Expenses	5,352	5,333	-19
<b>Operating Income</b>	<b>4,403</b>	<b>4,408</b>	<b>5</b>
<b>EBITDA</b>	<b>5,338</b>	<b>5,340</b>	<b>2</b>
Financing Cost - Net	370	369	-1
<b>Income before Tax</b>	<b>4,032</b>	<b>4,039</b>	<b>7</b>
Income Tax	892	890	-2
<b>Net Income</b>	<b>3,141</b>	<b>3,149</b>	<b>8</b>
<b>Earnings per Share</b>	<b>0.89</b>	<b>0.89</b>	
<b>Margins (%)</b>			
Gross Profit	24.0%	24.0%	0.0 pps
Operating Expenses	13.2%	13.1%	-0.1 pps
Operating Income	10.9%	10.9%	0.0 pps
EBITDA	13.2%	13.2%	0.0 pps
Net Income	7.7%	7.8%	0.1 pps

# FY 2019 Summarized Cash Flow: Audited vs. Unaudited



In PHP Mill	FY 2019 Unaudited	FY 2019 Audited	Variance in PHPm
Profit before Tax	4,032	4,039	7
Depreciation & Amortization	935	932	-3
Working Capital Change	(41)	(713)	-672
Income Tax	(892)	(890)	2
Others	284	288	4
<b>OPERATING CASH FLOWS</b>	<b>4,318</b>	<b>3,656</b>	<b>-662</b>
Additions to PPE	(1,659)	(1,774)	-115
<b>INVESTING CASH FLOWS</b>	<b>(2,586)</b>	<b>(1,743)</b>	<b>843</b>
Interest Paid	(370)	(369)	1
Change in Debt	(792)	(792)	0
<b>FINANCING CASH FLOWS</b>	<b>(1,800)</b>	<b>(1,981)</b>	<b>-181</b>
<b>NET CHANGE IN CASH</b>	<b>(69)</b>	<b>(69)</b>	<b>0</b>
<b>CASH, ENDING</b>	<b>1,608</b>	<b>1,608</b>	<b>0</b>
<b>FREE CASH FLOW</b>	<b>2,659</b>	<b>1,882</b>	<b>-777</b>

# FY 2019 Summarized Balance Sheet: Audited vs. Unaudited



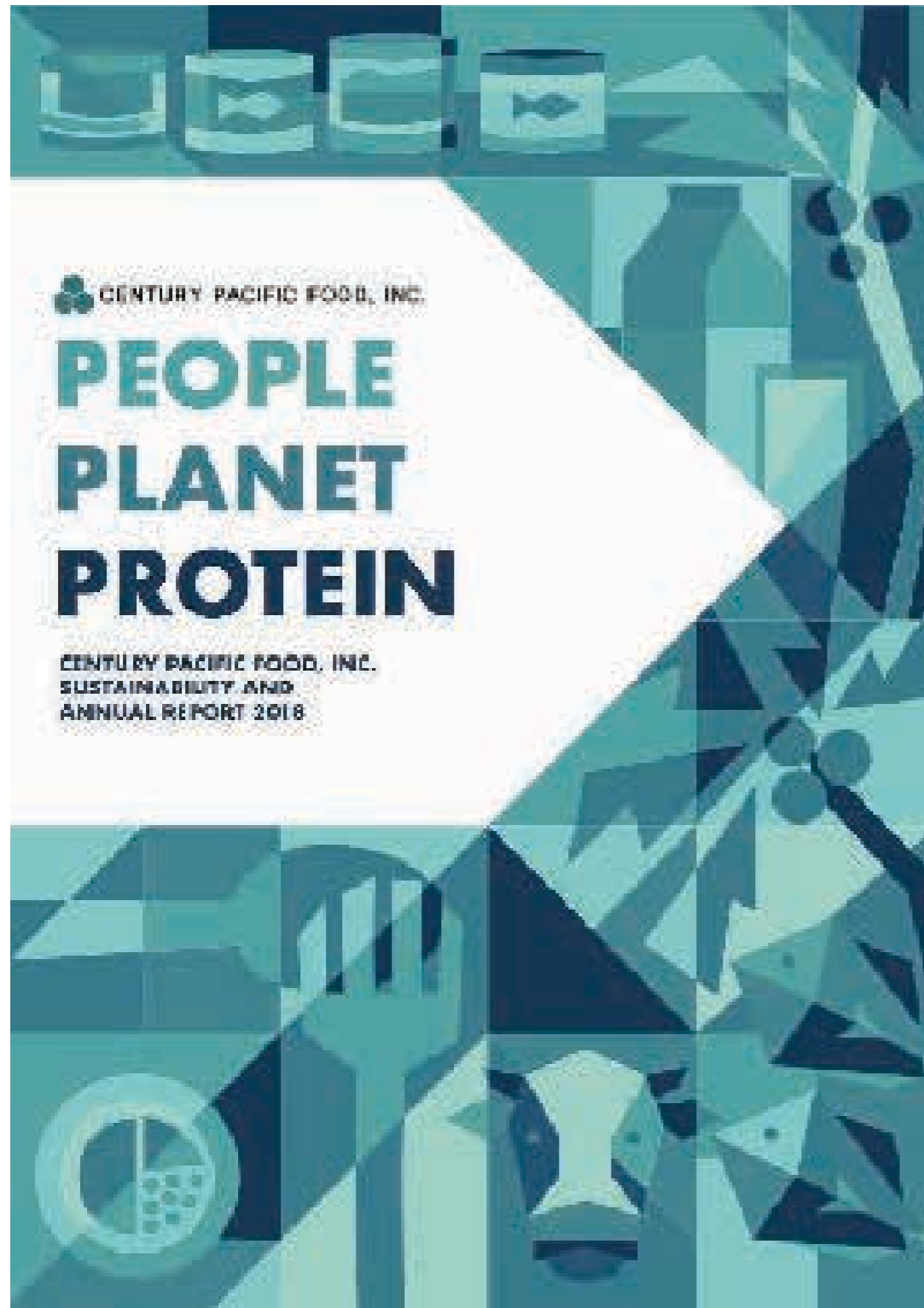
In PHP Mill	FY 2019 Unaudited	FY 2019 Audited	Variance in PHPm
Cash	1,608	1,608	0
Receivables	6,683	7,001	318
Inventory	11,795	11,782	-13
<b>Current Assets</b>	<b>21,491</b>	<b>21,515</b>	<b>24</b>
PPE	6,415	6,415	0
<b>Non-Current Assets</b>	<b>11,035</b>	<b>11,074</b>	<b>39</b>
<b>TOTAL ASSETS</b>	<b>32,526</b>	<b>32,589</b>	<b>63</b>
Trade and Other Payables	6,777	6,833	56
Notes Payable - Current	2,434	2,434	0
Long-Term Loan	3,087	3,087	0
<b>TOTAL LIABILITIES</b>	<b>13,387</b>	<b>13,434</b>	<b>47</b>
Retained Earnings	10,602	10,611	9
<b>TOTAL EQUITY</b>	<b>19,140</b>	<b>19,154</b>	<b>14</b>
<b>BVPS (PHP/share)</b>	<b>5.40</b>	<b>5.41</b>	



# ANNEX



# 2018 Glossy Annual Report



**Best Annual Report (Small Cap)**  
***IR Magazine Awards***  
***South East Asia***  
2019

CNPF's 2018 Glossy Annual Report can be found on the Company's corporate website.

**Investor Relations > Investor Presentations & Reports**

<https://tinyurl.com/CNPF-Annual-Report-2018>

# 2020 Calendar of IR Activities



## Investor Conferences

### **Macquarie Asia Consumer Conference**

May 11 (Virtual)

### **Citi Pan Asia Regional Conference**

May 19 (Virtual)

### **Nomura Investment Forum Asia**

June 1, Singapore

### **UBS Philippines CEO/CFO Forum**

June 3, Manila

## Earnings Release

### **1Q20 Earnings Release**

May 6

### **Annual Stockholders Meeting**

June 30

### **2Q20 Earnings Release**

August 5

### **3Q20 Earnings Release**

November 4

*\*Schedule updated as of 16 April 2020*

# First GRI-Compliant Sustainability Report

## Sustainability Framework

**Available for download here:**

<https://tinyurl.com/CNPF-Annual-Report-2018>

## PROTEIN DELIVERY

Nutrition

Accessibility

Food Quality & Safety

## PURCHASES assessment

- Supplier credibility
- Raw materials traceability

## PLANET preservation

- Natural resource efficiency
- Environmental impact management

## PEOPLE development

- Diversity & inclusion
- Professional & personal growth
- Workplace safety

## GOOD GOVERNANCE

- Long-term financial goals now coupled with **ENTERPRISE-WIDE INITIATIVE TO MONITOR AND MEASURE ENVIRONMENTAL, SOCIAL, AND GOVERNANCE METRICS**

# First GRI-Compliant Sustainability Report

## 2018 Sustainability Highlights

### PROTEIN DELIVERY

**63M**

kg of protein distributed to the market

**78%**

availability in all points of sale in the Philippines

**5**

international food quality standards followed

### PURCHASES assessment

**100%**

compliance to Applicable International Seafood Sustainability Foundation Conservation Measures

**100%**

traceability of Fish, Milk, and Coconut back to fishing grounds and farms

### PLANET preservation

**3%**

improvement in energy intensity

**5%**

improvement in water intensity

**EQUAL**

GHG intensity despite growing operations

### PEOPLE development

**12,290**

total jobs supported

**75%**

increase in investment for employee training

# 2018 ISSF Audit 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.

## FULLY COMPLIANT WITH 21 OF 21 APPLICABLE ISSF CONSERVATION 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 Finching
- 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

### Available for download here:

<https://tinyurl.com/ISSF-Audit-Report-2018>

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