



CENTURY PACIFIC FOOD, INC.

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PHILIPPINE STOCK EXCHANGE, INC.

PSE Tower, 28th Street cor. 5th Avenue

Bonifacio Global City, Taguig City

Attention: **MS. JANET A. ENCARNACION**

Head, Disclosure Department

RE: **PRESS RELEASE** - Century Pacific sustains 31% increase in net income in 1H2020; Revenue growth accelerates to 28% amidst continued heightened demand for shelf-stable food

Please be informed that Century Pacific Food Inc (CNPF) is issuing the attached press release entitled "Century Pacific sustains 31% increase in net income in 1H2020; Revenue growth accelerates to 28% amidst continued heightened demand for shelf-stable food"

Very Truly Yours,

GIOVANNA M. VERA

Head - Investor Relations



CENTURY PACIFIC FOOD, INC.



Century Pacific sustains 31% increase in net income in 1H2020; Revenue growth accelerates to 28% amidst continued heightened demand for shelf-stable food

Century Pacific Food Inc. (CNPF), one of the Philippines' largest food companies, saw its net income increase by 31% to Php2.2 billion in the first half of 2020, driven primarily by a 28% growth in consolidated revenues during the first six months of the year.

In the second quarter alone, net income was up 32%, slightly higher than the 31% increase during the first three months of the year. In terms of sales, growth accelerated more quickly to 32%, compared to 24% in the first quarter.

Oscar Pobre, CNPF's Chief Finance Officer said, "Our priorities continue to be keeping our employees safe, doing what we can for our communities, and ensuring our products are available and accessible, most especially amongst those who need them the most. We continued to see heightened demand for our shelf-stable products through the months of April, May, and June as quarantine measures and fear of going out persisted leading to consumers spending more time at home and cooking their own meals."

He added, "Our core branded products of Marine and Meat, which have long been staples of Filipino in-home consumption across all income classes, are benefitting the most from this trend, while sales growth in our emerging Milk business has also held up with consumers gravitating toward value for money options. Amidst the uncertainties, we find that consumers increasingly prefer products and brands that are well-known and that they can trust. Many of our brands are precisely that, particularly in Marine and Meat where we are the respective market and category leaders. The growing importance of health and wellness has likewise benefitted Milk, with our flagship brand gaining significant share and prominence over the last couple of years."

Birch Tree, the Company's flagship brand in Milk was recently recognized as the fastest-growing consumer brand in the Philippines for the year 2019. The ranking was based on Kantar's Asia Brand Footprint report and covers all fast-moving consumer goods, not only food.

Birch Tree, alongside other households names such as *Century Tuna*, *Argentina*, and *555*, continue to represent majority of CNPF's sales. In the first half, CNPF's total branded business accounted for 82% of consolidated revenues.

Total branded saw sales grow by 35% year-on-year during the first six months of 2020, faster than the Company's consolidated topline growth. In Q2 alone, branded revenues jumped by 39% year-on-year.

The increase was broad-based with all three branded units – Marine, Meat and Milk – registering above-average sales due to strong demand for staple and shelf-stable products.

Meanwhile, CNPF's commodity-linked OEM export business, accounting for 18% of consolidated sales, saw revenues increase by 5% in the first half of 2020. For the three months ending June, it was up 9% versus same period last year.

Key commodity prices, which largely determine average selling price in this business, continue to remain soft. In addition, partial manufacturing capacity was re-allocated by the Company to fulfill heightened domestic requirements.

Pobre said, "With the ongoing public health crisis, we prioritized local consumption given the importance of ensuring availability of our products domestically. 3 out of 6 - or 50% - of the essential food items list identified by the Department of Social Welfare and Development are categories we serve and actively participate in. Nonetheless, export demand was also strong and we are doing our best to optimize production capabilities to meet the needs of customers both domestically and internationally."

The Company's profitability likewise improved with gross profit increasing by 36% - a faster pace relative to topline. This translated to a 140-basis point increase in gross margin to 25.2%, driven by subdued raw material prices and favorable forex rates. A sales mix in favor of the branded business also boosted consolidated gross margin, with branded's gross profitability higher than OEM export's.

In the first half however, CNPF's operating expenses remained elevated, up 36%, given the increased spend required to operate in the current environment. The Company incurred incremental costs to ensure smooth flow of goods, meet the unexpected increase in demand, and provide enhanced health and safety measures, as well as financial assistance, to its employees. The health, safety, and financial well-being of its employees remain one of the Company's top priorities, and it recently partnered with a leading pharmaceutical and healthcare provider to help with the long-term adoption of occupational safety and health measures in all work places.

In total, the Company ended the first half of 2020 with Php2.2 billion in net income, representing a net margin of 8.9% - an increase of 20 bps versus the same period last year.

This improved profitability came hand-in-hand with reduced working capital requirements, translating to strong cash generation during the period. Free cash flows in the first half hit Php4.5 billion, equivalent to 18% of sales. Total cash amounted to Php5.5 billion at the end of the first half of 2020.

This, alongside the Company's positive outlook for the balance of the year, allowed it to recently double its declared cash dividend for the year, to Php0.36 per share from last year's Php0.18. The higher dividend is expected to be paid on August 14, 2020 for all stockholders on record as of July 30, 2020.

Pobre said, "Though we see the pace of growth starting to ease relative to the month of March, demand continues to exceed pre-COVID levels. At this point, we are likely to end the year exceeding 10% to 15% growth - our typical growth target during more normal times."

He added, "Undoubtedly, there remain a lot of uncertainties with regard to the broader environment and the potentially negative effects on consumption. Nonetheless, our suite of products has proven themselves to be resilient amidst various macroeconomic challenges. Longer term, several of the burgeoning consumer trends - in-home consumption, health and safety, trusted brands, and value-for-money - play to many of our existing strengths. We are now setting our sights on more medium to long term plans, on how we can maximize our positioning as we invest in both our existing set of products and a robust pipeline of innovations. We look forward to further building on our portfolio of brands that Filipinos love - encompassing both core branded products that deliver steady growth and healthy cash generation, as well as emerging categories that will benefit from long-term increases in income and consumption per capita."

About CNPF

Century Pacific Food, Inc. (PSE: CNPF) is one of the Philippines' largest branded food and beverage companies. It is primarily engaged in the manufacturing, marketing, and distribution of processed marine, meat, milk, and coconut products. With an established track record in brand-building spanning more than 40 years, it has developed a roster of household names which include Century Tuna, Argentina, 555, Angel, and Birch Tree. These brands of the Company hold market leading positions locally and are growing their presence abroad. Further, the Company also operates as one of the Philippines' leading providers of private label tuna and coconut products for export overseas.



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