



3rd Quarter & 9 Months 2019

Financial Results

(unaudited)

12 November 2019



Important Note on Forward-Looking Statements

The presentation herein may contain forward looking statements by the management of Delfi Limited (“Delfi”) that pertain to expectations for financial performance of future periods vs past periods.

Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. Such statements are not and should not be construed as management’s representation on the future performance of Delfi. Therefore, the actual performance of Delfi may differ significantly from expressions provided herein.

This Results Presentation should be read in conjunction with the full text of the “Unaudited Financial Statements and Dividend Announcement for the 3rd Quarter and 9 Months ended 30 September 2019”.

Scope of Briefing

	<u>Page No</u>
■ Overview	4
■ 9M 2019 Highlights	5
■ Our 3Q and 9M 2019 Performance in greater detail	6
■ Looking Forward	7
■ Appendices	
➤ Group Financial Highlights	10
➤ Balance Sheet & Cash Flow Analysis	12 & 13

- **PATMI (excluding exceptional items) of US\$21.5 million achieved for 9M 2019 driven by improved margins and strong sales growth momentum, especially for Own Brands, across all markets:**

- (i) **Higher Own Brands sales achieved (▲ 10.9% Y-o-Y) amidst the changes to our value product portfolio for General Trade channel in Indonesia**

- Strong double-digit growth achieved in premium format category

- (ii) **Higher margins achieved**

- 9M 2019 Gross Profit Margin (▲ 130 basis points) and EBITDA Margin (▲ 60 basis points)

	3Q 2019		9M 2019	
	<u>US\$ Million</u>	<u>Y-o-Y Chg (In US\$ Terms)</u>	<u>US\$ Million</u>	<u>Y-o-Y Chg (In US\$ Terms)</u>
Revenue	112.2	▲ 9.2%	352.7	▲ 10.5%
EBITDA	12.7	▲ 22.2%	44.2	▲ 16.8%
PATMI (excl exceptional items)*	6.0	▲ 35.3%	21.5	▲ 22.3%

* Exceptional items included in 3Q and 9M 2018 was the loss of US\$0.4 million and US\$0.9m associated with the improper and unsubstantiated transactions uncovered in the Philippines. For 9M 2019, the exceptional loss of US\$0.2 million pertained to legal and professional fee incurred in respect of this matter.

9M 2019 Highlights

- **3Q 2019 revenue of US\$112.2 million (▲ 9.2% Y-o-Y) achieved with 9M 2019 Revenue totaling US\$352.7 million (▲ 10.5% Y-o-Y)**
 - Our Own Brands sales in Indonesia (▲10.3% Y-o-Y) continued to be the driver of growth with strong performance of our premium format products, reflecting the success of our promotional programmes to capture consumer demand
 - Excluding the transitional changes in our value product portfolio, sales in Indonesia would have been higher by 19.0% in 9M 2019 with Group sales higher by 16.2%
- **Gross Profit Margin of 35.6% (▲130 basis points)**
 - GP margin improvement on higher sales of our premium brands, the pruning of unprofitable Value products and our cost containment initiatives
- **EBITDA** **US\$44.2 million** **▲16.8% Y-o-Y**
 - 9M EBITDA margin of 12.5% achieved (▲60 basis points)
- **PATMI (as reported)** **US\$21.3 million** **▲27.1% Y-o-Y**
- **ROE (annualised)** **13.4%** **▲3.2% pt**
- **Free Cash Flow of US\$25.2 million generated - Higher profitability, tighter control of working capital and lower capital expenditure**

Our 3Q and 9M 2019 Performance in greater detail

(In US\$ Million)	3Q 2019	3Q 2018	Y-o-Y change	Local Currency Performance (Y-o-Y change)	9M 2019	9M 2018	Y-o-Y change	Local Currency Performance (Y-o-Y change)
Revenue	112.2	102.7	▲ 9.2%	▲ 6.7%	352.7	319.1	▲ 10.5%	▲ 12.5%
Indonesia	78.5	72.4	▲ 8.4%	▲ 4.8%	253.7	229.2	▲ 10.7%	▲ 12.6%
Regional Market	33.7	30.3	▲ 11.1%	▲ 11.3%	99.0	89.9	▲ 10.1%	▲ 12.4%
Gross Profit (GP)	38.9	34.8	▲ 11.9%	▲ 9.0%	125.5	109.5	▲ 14.7%	▲ 16.6%
GP Margin	34.7%	33.9%	▲ 0.8% pt	▲ 0.8% pt	35.6%	34.3%	▲ 1.3% pt	▲ 1.3% pt
EBITDA	12.7	10.4	▲ 22.2%	▲ 17.1%	44.2	37.9	▲ 16.8%	▲ 19.2%
EBITDA Margin	11.4%	10.2%	▲ 1.2% pt	▲ 1.2% pt	12.5%	11.9%	▲ 0.6% pt	▲ 0.6% pt
PATMI (excl exceptional items)	6.0	4.4	▲ 35.3%	▲ 28.2%	21.5	17.6	▲ 22.3%	▲ 25.3%
PATMI (incl exceptional items)	5.9	4.0	▲ 47.5%	▲ 39.7%	21.3	16.7	▲ 27.1%	▲ 30.3%

❖ Sales growth in Regional Markets supported by higher Agency and Own Brands Sales

Looking Forward

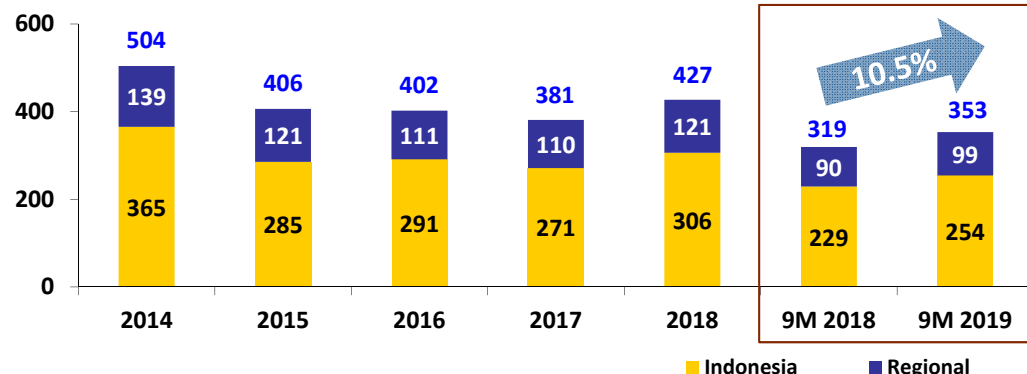
- The operating environment is expected to become more challenging with intensifying competition from both global and local players coupled with growing demands from our Modern Trade customers and consumers; currencies are also expected to be volatile for the rest of the year
- Nevertheless, barring unforeseen circumstances, we remain cautiously optimistic about the growth prospects for FY2019
- Looking ahead, absent any severe change in economic growth or severe devaluation of regional currencies, the outlook for the consumption of chocolate confectionery is expected to be positive in both priority markets of Indonesia and the Philippines supported by economic growth
- Our focus will continue to be on top line expansion by further growing our core premium brands, extending into the snacking category and strengthening our value product portfolio in General Trade channel supported by stepped up productivity efforts

Appendices

Group Financial Highlights

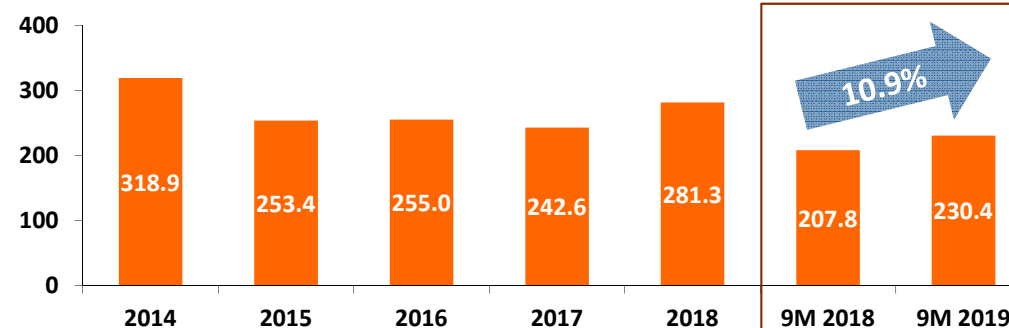
Group Financial Highlights

Group Revenue (In US\$ Million) #



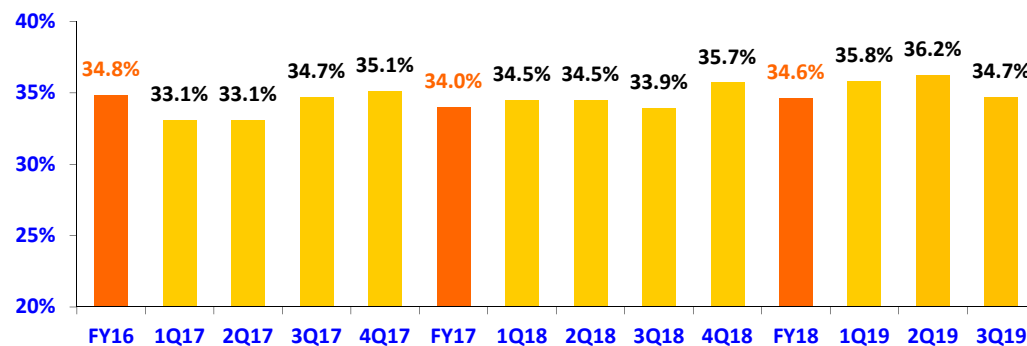
- FY2018 and 9M 2019 performance driven by the continuing benefits of our strategic initiatives implemented over the last 3 years
- 9M 2019 Y-o-Y growth achieved reflected the successful promotional programmes implemented

Own Brands Revenue (In US\$ Million) #



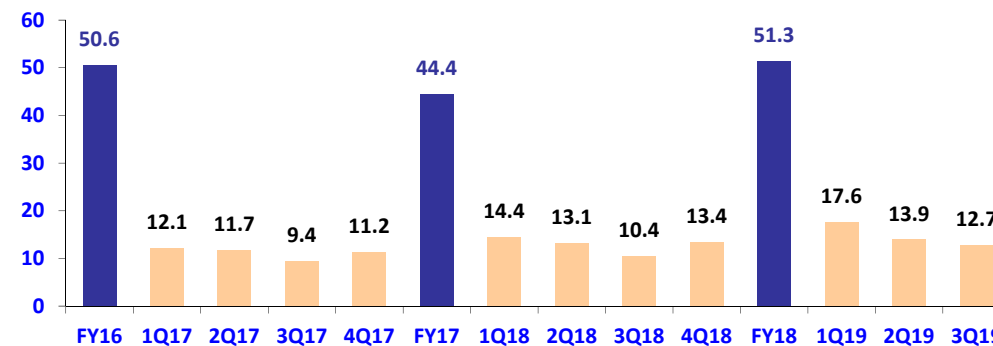
- FY2018 revenue surpassed the peak of 2014 (constant rate basis) with our leading brands in growth categories. We have a strong innovation culture and efficient routes-to-market structure
- 9M 2019 growth Y-o-Y driven by higher Own Brands sales in Indonesia (▲ 10.3%)

Gross Profit Margin Trends #



- We achieved GP margin >34% over the last 3 years, reflecting higher sales of Own Brands premium products and cost containment initiatives

EBITDA (In US\$ Million) #



- Profit performance reflects continued investments in brand building and routes-to-market capabilities to capture long term growth
- Performance for 9M 2019 reflects higher sales and GP margin achieved

Balance Sheet & Cash Flow Analysis

Balance Sheet Analysis (Figures are at period end)

(In US\$ Million)	30 Sep 2019	31 Dec 2018	Comments
Cash and Cash Equivalents	51.6	54.7	
Trade Receivables	83.6	72.5	■ Higher sales to Modern Trade customers.
Inventories	72.3	76.2	■ Lower inventories in Indonesia post deliveries for Lebaran festivities in 2019.
Other Assets	28.3	22.3	
Fixed Assets, Intangible Assets & Investments	135.6	135.4	■ Included US\$3.9 million right-of-use assets (net of depreciation) on adoption of SFRS(I) 16 - Leases on 1 January 2019.
Total Assets	371.4	361.1	
Trade Payables	32.4	34.6	■ In line with lower inventories.
Other Liabilities	73.9	61.3	
Total Borrowings	47.4	59.0	■ Reduced borrowings with operating cash flow generated.
Working Capital Facilities/Trade Finance	16.3	30.3	
Term Loan	31.1	28.4	
Lease Liabilities	-	0.3	
Total Equity	217.7	206.2	
Key Ratios			
Current Ratio	1.67	1.55	
Return on Equity			
- Exclude exceptional items *	13.5%	11.2% **	
- Include exceptional items *	13.4%	10.2% **	
Inventory Days	89	92	
Receivables Days	61	57	
Payable Days	40	43	

* Exceptional items include the charge of US\$0.2 million and US\$2.1 million for 9M 2019 and FY2018 respectively from the improper and unsubstantiated transactions uncovered in the Philippines.

** Relates to FY2018 audited figures.

Cash Flow Applications

❖ Free Cash Flow of US\$25.2 million on higher profitability achieved and lower capital expenditure

(In US\$ Million)	9M 2019
EBITDA	44.2
Changes in Operating Cash Flow	
Increase in Working Capital	(2.7)
Tax Expense Paid	(13.5)
Interest Income received	1.0
Operating Cash Flow	29.0
Capex, Intangible Assets, Net of Proceeds	(3.8)
Free Cash Flow	25.2
Repayment of Borrowings, Net of Proceeds	(1.5)
Repayment of Working Capital Financing	(11.4)
Interest Expense paid	(2.8)
Dividend Payment	(12.6)
Net Cash Movement	(3.1)

Thank You
