

2nd Quarter & 1st Half 2019
Financial Results
(unaudited)

13 August 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 2nd Quarter and 1st Half ended 30 June 2019”.

Scope of Briefing

	<u>Page No</u>
■ Overview	4
■ 1H 2019 Highlights	5
■ Our 2Q and 1H 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\$15.6 million achieved for 1H 2019 supported by improved margins and strong sales growth momentum across all markets:**
 - (i) **Higher growth of Own Brands in the premium format category (▲ 11.5% Y-o-Y)**
 - Double-digit growth despite cutting unprofitable SKUs for General Trade channel in Indonesia
 - (ii) **Higher margins achieved for 1H 2019**
 - Gross Profit Margin (▲ 150 basis points) and EBITDA Margin (▲ 40 basis points)

	2Q 2019		1H 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	112.3	▲ 3.0%	240.6	▲ 11.2%
EBITDA	13.9	▲ 6.2%	31.4	▲ 14.7%
PATMI (excl exceptional items)*	6.2	▲ 11.0%	15.6	▲ 18.0%

- ❖ **Interim Dividend of 1.27 US cents per share declared and payable 6 September 2019**

* Exceptional items included in 2Q 2018 was the loss of US\$0.5 million associated with the improper and unsubstantiated transactions uncovered in the Philippines. For 2Q and 1H 2019, the exceptional loss of US\$0.1 million and US\$0.2 million were legal and professional fee incurred for on-going work carried out.

1H 2019 Highlights

- **1H 2019 Revenue of US\$240.6 million achieved (▲11.2% Y-o-Y) driven by Own Brands sales (▲11.5% Y-o-Y)**
 - Our Own Brands sales in Indonesia (▲10.8% Y-o-Y) continued to be the driver of growth led by the strong performance of our premium format products during Valentine's Day and Hari Raya/Lebaran festivities
 - Reflects the strategic initiative to prune negative margin Value Segment products targeted for the General Trade channel in Indonesia. Excluding this, sales in Indonesia would have been higher by 22.6% in 1H 2019 with Group sales higher by 18.6%
- **Gross Profit Margin of 36.0% (▲150 basis points)**
 - Our GP margin performance reflects higher sales of our premium brands, the pruning of unprofitable Value Segment products and our cost containment initiatives
- **EBITDA US\$31.4 million ▲14.7% Y-o-Y**
 - 1H EBITDA margin of 13.1% achieved (▲40 basis points)
- **PATMI (as reported) US\$15.4 million ▲20.7% Y-o-Y**
- **ROE (annualised) 14.4% ▲4.2% pt**
- **Free Cash Flow of US\$15.1 million generated**

Our 2Q and 1H 2019 Performance in greater detail

(In US\$ Million)	2Q 2019	2Q 2018	Y-o-Y change	Local Currency Performance (Y-o-Y change)	1H 2019	1H 2018	Y-o-Y change	Local Currency Performance (Y-o-Y change)
Revenue	112.3	109.1	▲ 3.0%	▲ 6.1%	240.6	216.4	▲ 11.2%	▲ 15.3%
Indonesia	81.6	80.6	▲ 1.3%	▲ 4.2%	175.2	156.8	▲ 11.8%	▲ 16.1%
Regional Market	30.7	28.5	▲ 7.8%	▲ 11.5%	65.4	59.6	▲ 9.5%	▲ 13.0%
Gross Profit (GP)	40.7	37.6	▲ 8.2%	▲ 11.4%	86.6	74.7	▲ 16.0%	▲ 20.2%
GP Margin	36.2%	34.5%	▲ 1.7% pt	▲ 1.7% pt	36.0%	34.5%	▲ 1.5% pt	▲ 1.5% pt
EBITDA	13.9	13.1	▲ 6.2%	▲ 10.1%	31.4	27.4	▲ 14.7%	▲ 20.0%
EBITDA Margin	12.3%	12.0%	▲ 0.3% pt	▲ 0.4% pt	13.1%	12.7%	▲ 0.4% pt	▲ 0.5% pt
PATMI (excl exceptional items)	6.2	5.6	▲ 11.0%	▲ 15.7%	15.6	13.2	▲ 18.0%	▲ 24.3%
PATMI (incl exceptional items)	6.1	5.1	▲ 19.4%	▲ 24.5%	15.4	12.7	▲ 20.7%	▲ 27.3%

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

Looking Forward

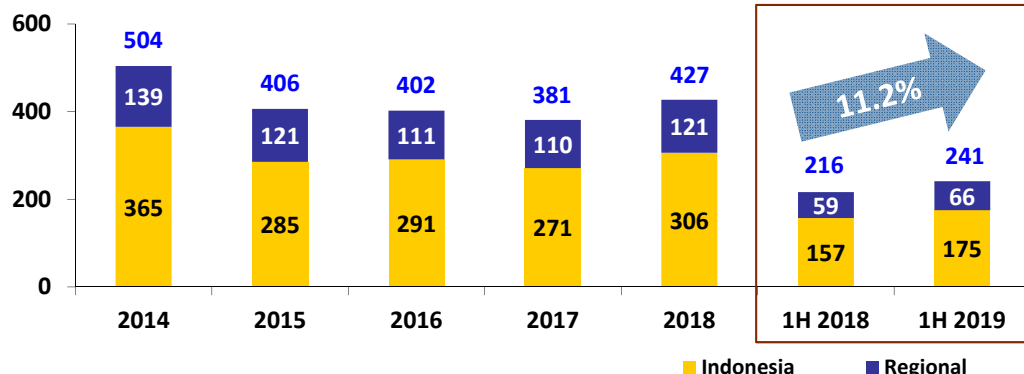
- The operating environment is expected to become even more challenging with intensifying competition from both global and local players coupled with increasing demands from our Modern Trade customers and consumers; currencies are also expected to be volatile for the remaining part of the year
- Nevertheless, 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 segment in particularly General Trade channel supported by stepped up productivity efforts

Appendices

Group Financial Highlights

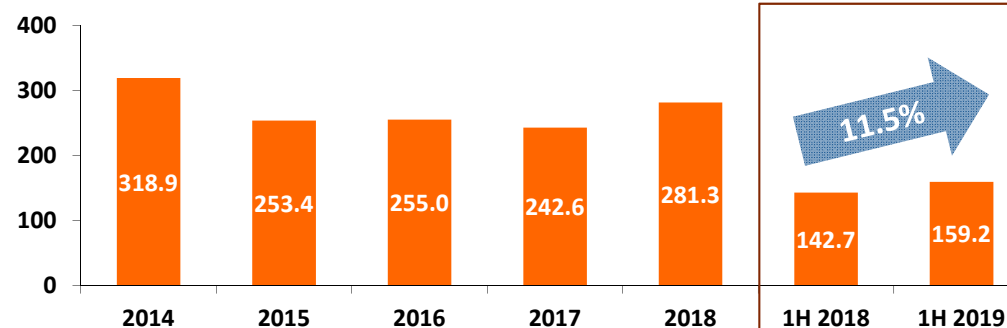
Group Financial Highlights

Group Revenue (In US\$ Million) #



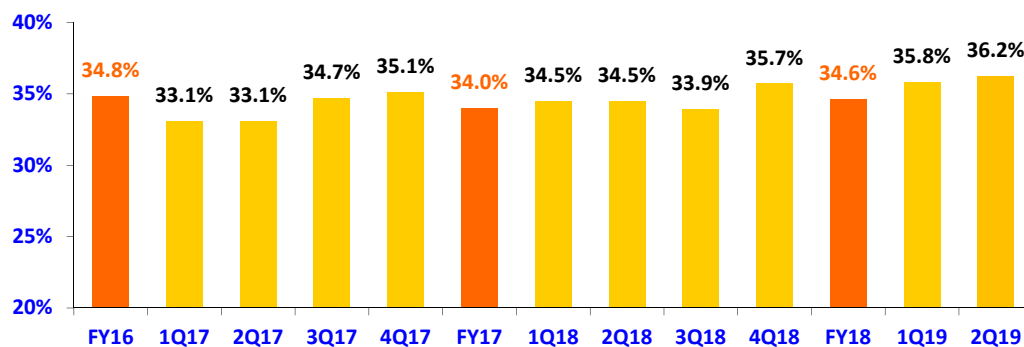
- FY2018 and 1H 2019 performance driven by the continuing benefits of our strategic initiatives implemented over the last 3 years
- 1H 2019 Y-o-Y growth achieved reflected the successful promotional programmes implemented to capture strong consumer demand for Valentine's Day and Lebaran festivities

Own Brands Revenue (In US\$ Million) #



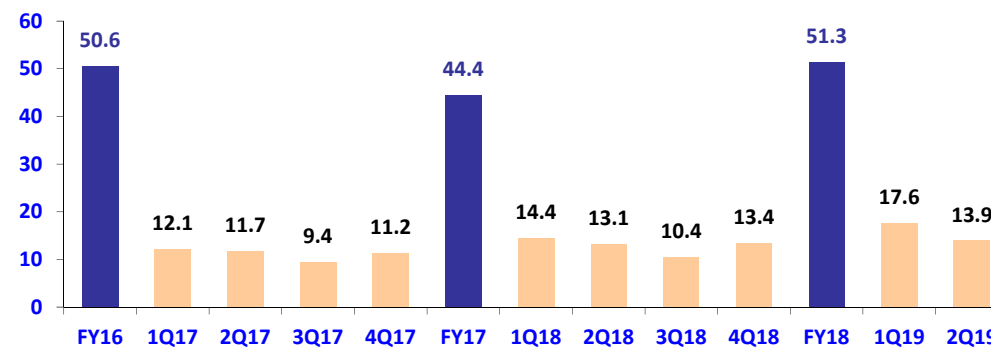
- FY2018 revenue surpassed the peak of 2014 (constant rate basis) with our leading brands in growth categories. We have a strong innovation culture and efficient routes-to-market structure
- 1H 2019 growth Y-o-Y driven by higher Own Brands sales in Indonesia (▲10.8%)

Gross Profit Margin Trends #



- For last 3 years, we achieved >34% GP margin, 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 1H 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 Jun 2019	31 Dec 2018	Comments
Cash and Cash Equivalents	53.7	54.7	
Trade Receivables	86.0	72.5	■ Collection affected by the Lebaran holiday in Malaysia and Indonesia; and higher sales to Modern Trade customers.
Inventories	70.7	76.2	■ Lower inventories in Indonesia post deliveries for Lebaran festivities in 2019.
Other Assets	26.3	22.3	
Fixed Assets, Intangible Assets & Investments	136.0	135.4	■ Included US\$1.9 million right-of-use assets (net of depreciation) on adoption of SFRS(I) 16 - Leases on 1 January 2019.
Total Assets	372.7	361.1	
Trade Payables	33.8	34.6	■ In line with lower inventories.
Other Liabilities	69.9	61.3	
Total Borrowings	48.8	59.0	■ Reduced borrowings with operating cash flow generated.
Working Capital Facilities/Trade Finance	26.6	30.3	
Term Loan	22.2	28.4	
Lease Liabilities	-	0.3	
Total Equity	220.2	206.2	
Key Ratios			
Current Ratio	1.67	1.55	
Return on Equity			
- Exclude exceptional items *	14.5%	11.2% **	
- Include exceptional items *	14.4%	10.2% **	
Inventory Days	87	92	
Receivables Days	60	57	
Payable Days	41	43	

* Exceptional items include the charge of US\$0.2 million and US\$2.1 million for 1H 2019 and FY2018 respectively from the improper and unsubstantiated transactions uncovered in the Philippines.

** Relates to FY2018 audited figures.

Cash Flow Applications

- ❖ **Generated operating cash flow to fund higher working capital, CAPEX and repay borrowings**

(In US\$ Million)		1H 2019
EBITDA		31.4
Changes in Operating Cash Flow		
Increase in Working Capital		(3.3)
Tax Expense Paid		(9.4)
Interest Expense Paid		(2.1)
Operating Cash Flow		16.6
Interest Income received		0.7
Capex, Intangible Assets, Net of Proceeds		(2.2)
Free Cash Flow		15.1
Repayment of Borrowings, Net of Proceeds		(7.9)
Repayment of Working Capital Financing		(3.2)
Dividend Payment		(5.0)
Net Cash Movement		(1.0)

Thank You
