



L I M I T E D

Company Registration No.: 198403096C

# **3<sup>rd</sup> Quarter & 9-Month 2017**

## **Financial Results**

**(unaudited)**

**13 November 2017**



# Important Note on Forward-Looking Statements

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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 3<sup>rd</sup> Quarter and 9-Month ended 30 September 2017”.

# Scope of Briefing

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## 3Q 2017 Revenue of US\$87.9 million (▲1.5% in US\$ terms : ▲4.4% in constant currency terms)

### Own Brands Performance - Sales US\$54.6 million (▲5.8% in constant currency terms)

- **The Group's 3Q 2017 Y-o-Y sales growth driven by higher Own Brands sales in Indonesia reflecting the benefits of our on-going initiatives to re-organize our product portfolio, organization structure and routes-to-market**
- **Growth of our major Core Brands (predominantly our flagship SilverQueen products, Selamat, Cha Cha and Ceres) achieved despite the highly competitive environment and the product rationalization exercise, which is now substantially completed**
  - Our product rationalization exercise involved the elimination of lower contributing or non-performing SKU's
- **Our re-organization, which started last year and is necessary to reposition our business for long term growth in a highly competitive environment, will have an impact on sales and profitability in the short term but this, we believe, is a stronger base to grow from**
  - This has resulted in favourable growth in sales for 3Q. We work to continue - if not in 4Q, we intend in 2018

# 3Q 2017 Highlights (cont'd)

**Gross Profit Margin of 34.7%** (vs 35.5%)

Although lower Y-o-Y, is higher compared to 1H 2017 on higher sales of premium products; and on-going cost containment initiatives

**EBITDA US\$9.3 million** ▼ 1.0% in US\$ terms (▲ 0.8% constant currency terms)

Performance reflects the lower Gross Profit Margin and other costs

**PATMI US\$3.3 million** ▼ 44.1% in US\$ terms (▼ 42.5% constant currency terms)

**PATMI was lower by US\$2.6 million mainly attributable to:**

- i. 3Q 2016 results included US\$2.6 million (IDR 34.5 billion) interest income from the Indonesian Director General of Taxation; and
- ii. Higher effective tax rate Y-o-Y on higher withholding tax paid on dividend and royalty income received from our Indonesian subsidiaries

# Our 3Q and 9M 2017 Performance in greater detail

(In US\$ Million)	3Q 2017	3Q 2016	Y-o-Y change	Local Currency Performance (Y-o-Y change)	9M 2017	9M 2016	Y-o-Y change	Local Currency Performance (Y-o-Y change)
<b>Revenue</b>	<b>87.9</b>	<b>86.6</b>	<b>▲ 1.5%</b>	<b>▲ 4.4%</b>	<b>281.2</b>	<b>296.5</b>	<b>▼ 5.1%</b>	<b>▼ 3.7%</b>
<b>Indonesia</b>	<b>62.1</b>	<b>60.3</b>	<b>▲ 2.9%</b>	<b>▲ 4.1%</b>	<b>200.1</b>	<b>214.5</b>	<b>▼ 6.7%</b>	<b>▼ 7.2%</b>
<b>Regional Market</b>	<b>25.8</b>	<b>26.3</b>	<b>▼ 1.6%</b>	<b>▲ 5.0%</b>	<b>81.1</b>	<b>82.0</b>	<b>▼ 1.1%</b>	<b>▲ 5.4%</b>
<b>Gross Profit (GP)</b>	<b>30.5</b>	<b>30.7</b>	<b>▼ 0.7%</b>	<b>▲ 1.9%</b>	<b>94.5</b>	<b>99.2</b>	<b>▼ 4.7%</b>	<b>▼ 3.2%</b>
GP Margin	34.7%	35.5%	▼ 0.8% pt	▼ 0.8% pt	33.6%	33.4%	▲ 0.2% pt	▲ 0.2% pt
<b>EBITDA</b>	<b>9.3</b>	<b>9.4</b>	<b>▼ 1.0%</b>	<b>▲ 0.8%</b>	<b>33.1</b>	<b>38.1</b>	<b>▼ 13.0%</b>	<b>▼ 13.2%</b>
EBITDA Margin	10.6%	10.9%	▼ 0.3% pt	▼ 0.4% pt	11.8%	12.8%	▼ 1.0% pt	▼ 1.2% pt
<b>PATMI (excl non-recurring items)</b>	<b>3.3</b>	<b>4.0</b>	<b>▼ 17.1%</b>	<b>▼ 14.7%</b>	<b>13.9</b>	<b>20.6</b>	<b>▼ 32.6%</b>	<b>▼ 33.0%</b>
<b>PATMI (incl non-recurring items)</b>	<b>3.3</b>	<b>5.9</b>	<b>▼ 44.1%</b>	<b>▼ 42.5%</b>	<b>18.2</b>	<b>22.5</b>	<b>▼ 19.0%</b>	<b>▼ 19.3%</b>

- ❖ **Group ROE of 11.9% ( ▲ 0.1% pt in US\$ terms vs FY2016)**
- ❖ **Free Cash Flow of US\$18.6 million generated ( ▼ 34.0% in US\$ terms)**

# Looking Forward

- **As we focus on growing sales of our continuing Own Brands products to replace sales lost due to the portfolio rationalization, despite sales growth in 3Q 2017, full year sales are not expected to make up the deficit in 1H 2017, and this combined with our higher expenditure to grow our distribution capabilities and our core brands will result in our FY2017 results likely to be lower Y-o-Y**
- **Continuously adapting our business structure and our organization to changes in the market is key to sustaining profitable growth over the longer term. In order to achieve this, we will continue to:**
  - Grow our key brands in our markets through product innovation and continuous reinvention to create excitement at the shelf space; while focusing on the core brands and products that can deliver growth in sales and margins
  - Continue the strategic re-organization of our distribution structure, sales operations, and supply chain management so we can adapt to the continuously evolving retail landscape to capture the growth opportunities; and
  - Prudently invest to build capacity and capabilities where there are clear expansion opportunities
- **In addition, we are constantly evaluating investment opportunities to either grow our business in a new region or an adjacent category**
- **Despite the highly competitive environment in our markets, we believe the re-organization of our product portfolio, our organization structure and routes-to-market, together with our geographic and product portfolio positions us well for the future**

# Appendices

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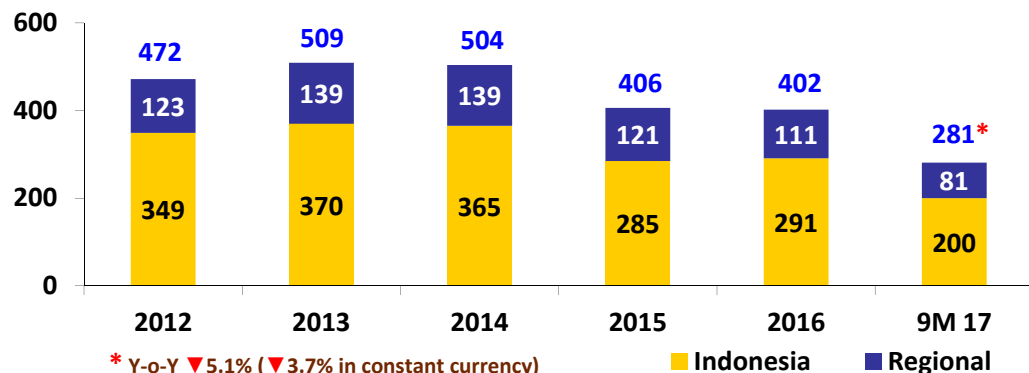


# Group Financial Highlights

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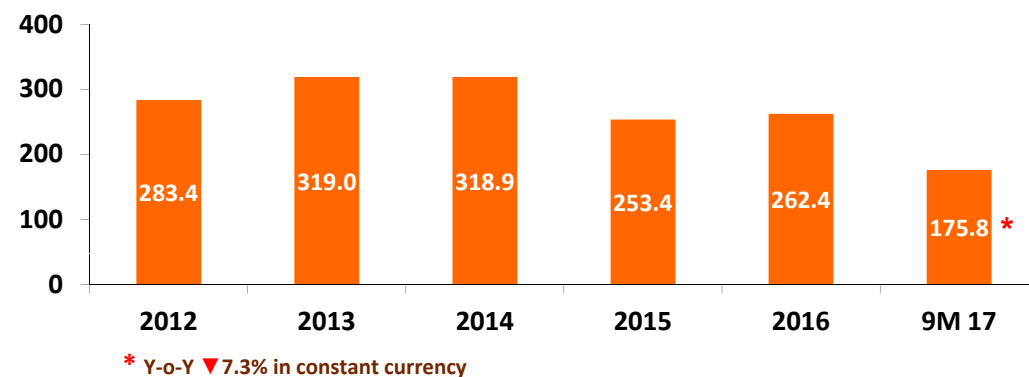
# Group Financial Highlights (cont'd)

### Group Revenue (In US\$ Million)



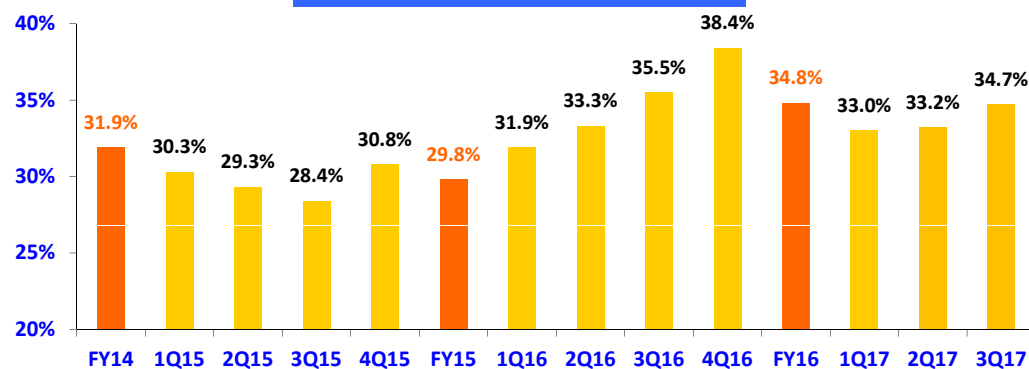
- Strong position in Indonesia complemented by a growing regional footprint
- In constant currency, CAGR of 4.0% per annum achieved over the 2012-2016 period

### Own Brands Revenue (In US\$ Million)



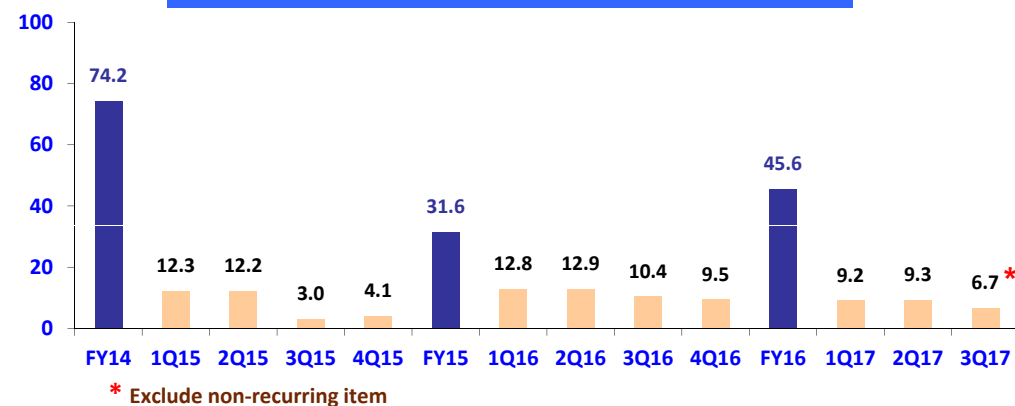
- Our leading brands are in growth categories. We have a strong innovation culture and efficient routes-to-market structure
- In constant currency, CAGR of 6.2% per annum achieved over 2012-2016 period

### Gross Profit Margin Trends



- 3Q 2017 margin lower Y-o-Y reflecting pricing adjustments in 3Q 2015 and 2Q 2016; and our on-going containment initiatives
- 4Q 2016 margin reflected higher sales of premium products for Own Brands; pricing adjustments and cost containment initiatives

### Operating Profit Performance (In US\$ Million)



- Profit performance reflects continued investments in brand building and routes-to-market capabilities to capture long term growth
- Lower 3Q 2017 Y-o-Y performance reflects the weaker sales performance

# Balance Sheet & Cash Flow Analysis

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# Balance Sheet Analysis (Figures are at period end)

(In US\$ Million)	30 Sep 2017	31 Dec 2016	Comments
Cash and Cash Equivalents	62.7	67.7	▪ Payment of dividend of US\$13.3 million and investment in Joint Ventures of US\$3.9 million funded by US\$8.2 million of net proceeds from sale of CMI.
Trade Receivables	57.3	61.7	
Inventories	60.4	54.7	▪ Higher inventory in order to supply the retail trade in the run-up to the Christmas festivities.
Other Assets	24.9	23.4	
Fixed Assets, Intangible Assets & Investments	136.6	134.8	▪ Capital expenditure of US\$9.3 million and US\$3.9 million investment in Joint Ventures offset by disposal of CMI of US\$2.8 million.
<b>Total Assets</b>	<b>341.9</b>	<b>342.3</b>	
Trade Payables	33.1	34.7	
Other Liabilities	59.1	52.5	▪ Higher accrual of A&P expenses incurred in the Modern Trade segment.
<b>Total Borrowings</b>	<b>43.2</b>	<b>53.8</b>	▪ Reduced borrowings with positive free cash flow generated.
Working Capital Facilities/Trade Finance	25.0	28.4	
Term Loan	17.5	24.1	
Lease Liabilities	0.7	1.3	
<b>Total Equity</b>	<b>206.5</b>	<b>201.3</b>	
<b>Key Ratios</b>			
Current Ratio	1.79	1.71	
<b>Return on Equity</b>			
- Include Exceptional Items	11.9%	11.8% *	
- Exclude Exceptional Items	9.1% **	12.6% *	
Inventory Days	84	79	
Receivables Days	58	54	
Payable Days	50	42	

\* Relates to FY2016 audited figures.

\*\* Exclude US\$4.4 million gain, net of tax on disposal of CMI.

# Cash Flow Applications

## ❖ Generated operating cash flow to fund Capex and repay Borrowing

(In US\$ Million)	30 Sep 2017
<b>EBITDA</b>	<b>33.1</b>
<b>Changes in Operating Cash Flow</b>	
Increase in Working Capital	(1.5)
Tax Expense Paid/Net of Refund	(5.9)
Interest Expense Paid	(2.2)
<b>Operating Cash Flow</b>	<b>23.5</b>
Proceeds from Disposal of Associated Company, Net of Transaction Cost Paid	8.2
Interest Income Received	0.7
Investment in Joint Ventures	(3.9)
Share of Joint Venture Loss	(0.6)
Capex, Patents & Trademarks, Net of Proceeds	(9.3)
<b>Free Cash Flow</b>	<b>18.6</b>
Repayment of Borrowings, Net of Proceeds	2.1
Repayment of Working Capital Financing	(12.5)
Dividend Payment	(13.3)
<b>Net Cash Movement</b>	<b>(5.1)</b>

Thank You

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