



萬洲國際  
WH GROUP



# 2018 Annual Results

March, 2019

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## 2018 Highlights





# Major Achievements



Despite the trade disputes, outbreak of African Swine Fever (ASF) in China, and the overabundant supply of meat in the US, the Group leveraged its global presence in the industrial value chain and achieved steady growth in business scale and revenue.

Continued its growth momentum in packaged meat business with both sales and profits hitting record highs.



The scale of slaughtering continued to grow with over 56 million heads in 2018, which further enhanced our influence on the global pork supply.

Maximized efficiency and reduced costs through continuous optimization of organization structure



Enhanced global production network through M&A and organic growth strategy

# Consolidated Financials Overview

## Key Operating Metrics

	2018	2017	Y-o-Y Change
Hogs produced ('000 heads)	20,953	20,226	3.6%
Hogs processed ('000 heads)	56,068	53,782	4.2%
Packaged meats external sales volume ('000 metric tons)	3,361	3,285	2.3%

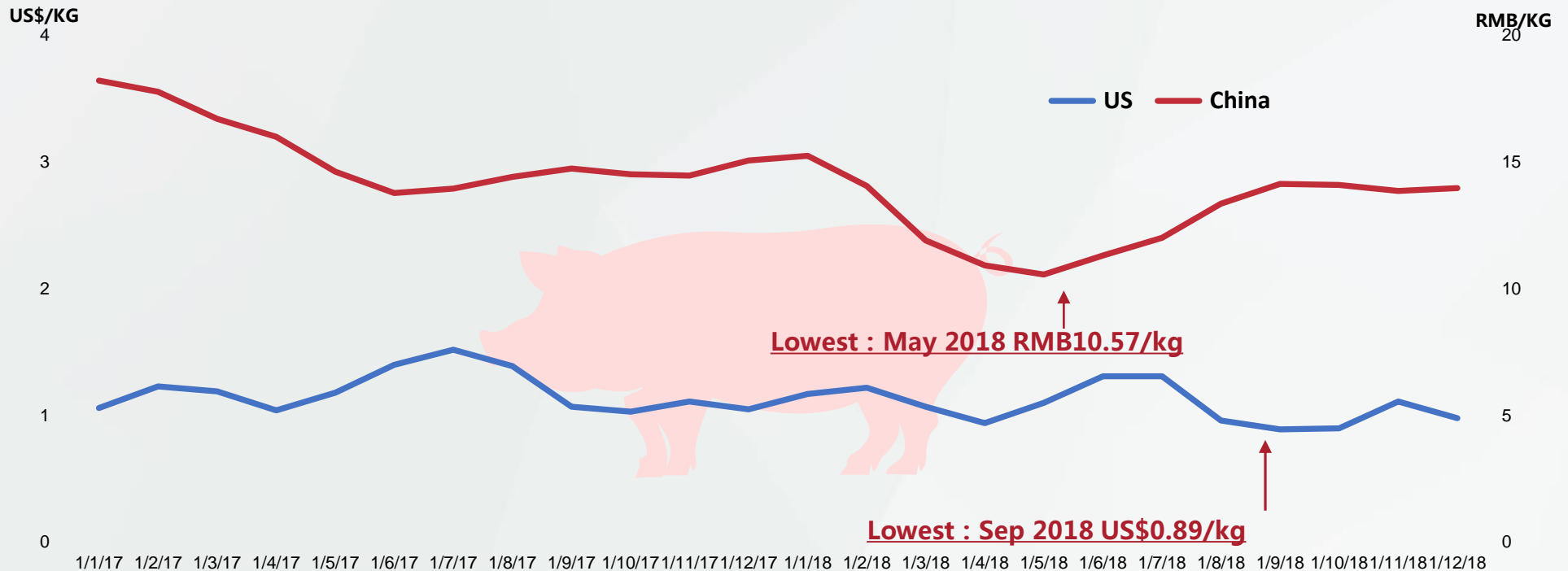
## Key Financial Indicators

US\$ million except as noted	2018 <sup>(1)</sup>	2017 <sup>(1)</sup>	Y-o-Y Change
Turnover	22,605	22,379	1.0%
Underlying EBITDA <sup>(1)</sup>	2,106	2,348 <sup>(3)</sup>	- 10.3%
Underlying Operating profit	1,650	1,861 <sup>(3)</sup>	-11.3%
Underlying Profit attributable to owners of the Company <sup>(1)</sup>	1,046	1,090 <sup>(2) (3)</sup>	-4.0%
Basic earnings per share (US\$ cents) <sup>(1)</sup>	7.13	7.50 <sup>(2) (3)</sup>	-4.9%
Interim dividend per share (HK\$) (paid on Sep 12, 2018)	0.05	0.05	-
Proposed final dividend per share (HK\$ )	0.15	0.22	-31.8%

Note:

- 1、 Before biological asset fair value adjustments
- 2、 Exclude net gain of US\$314Mn resulting from US tax reform
- 3、 Exclude US\$278Mn cost resulting from 2013 Share Award Plan

# Hog Prices in China and U.S.

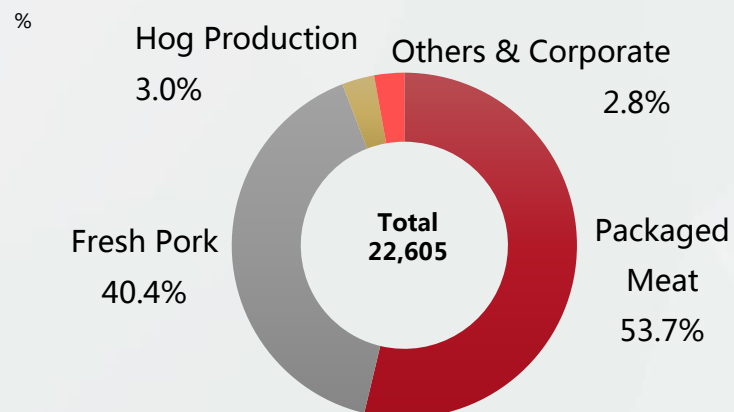


- In 2018, the average hog price in China was RMB13.0 per kilogram (“kg”), a reduction of 15.6% over 2017.
- In the U.S., the average hog price during the year of 2018 was US\$1.10 per kg, a reduction 9.0% over 2017.

# Revenue and Operating Profit

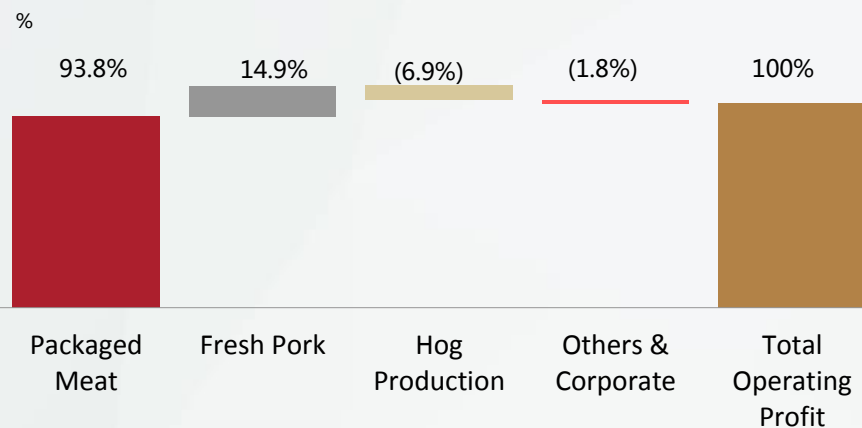
2018 Revenue by Business Segments <sup>(1)</sup>

US\$ million



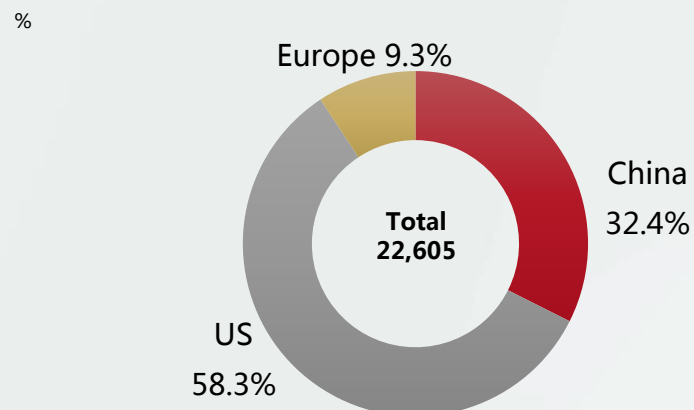
2018 Operating Profit by Business Segments <sup>(2)</sup>

US\$ million



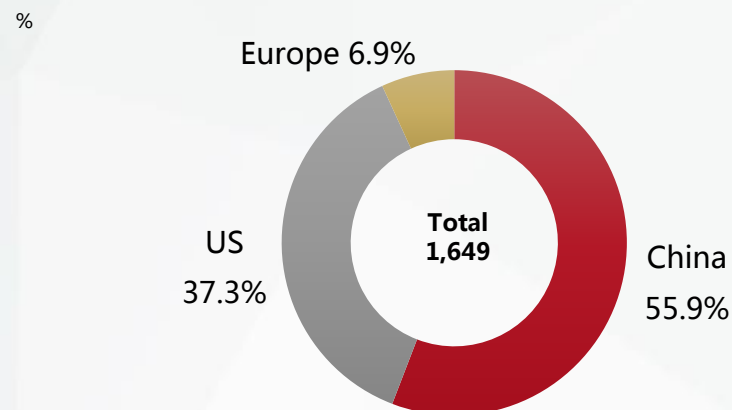
2018 Revenue by Region <sup>(1)</sup>

US\$ million



2018 Operating Profit by Region <sup>(2)</sup>

US\$ million



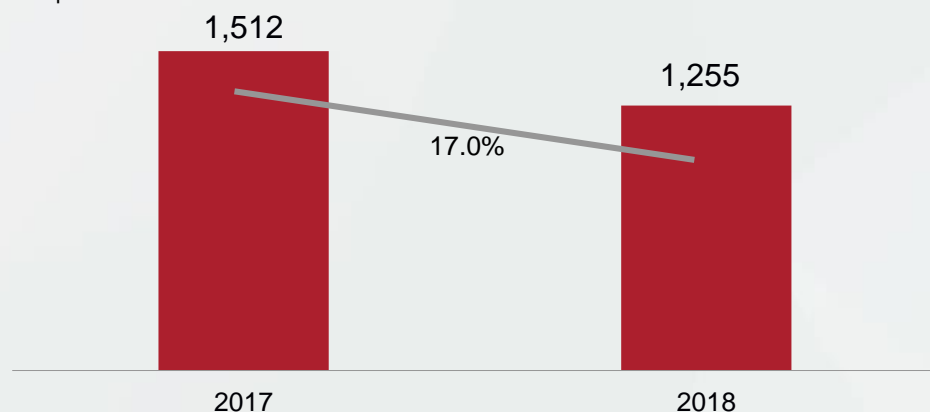
Note:  
 1. External sales  
 2. Before biological fair value adjustments



# Cash Flows and Capital Structure

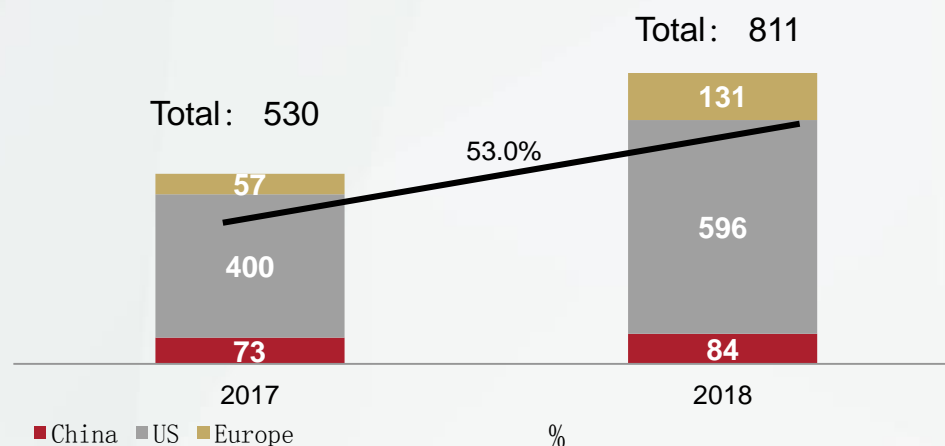
## Operating Cash Flow

US\$ million



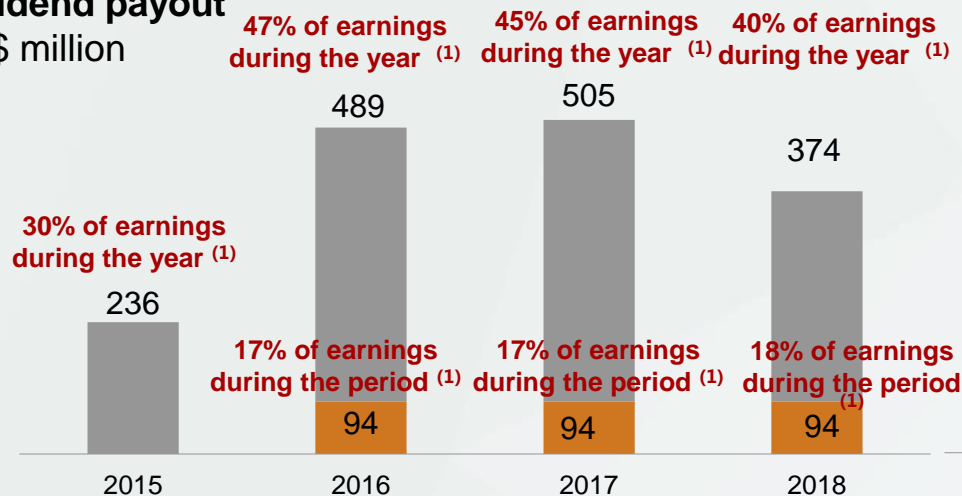
## Capital Expenditures

US\$ million



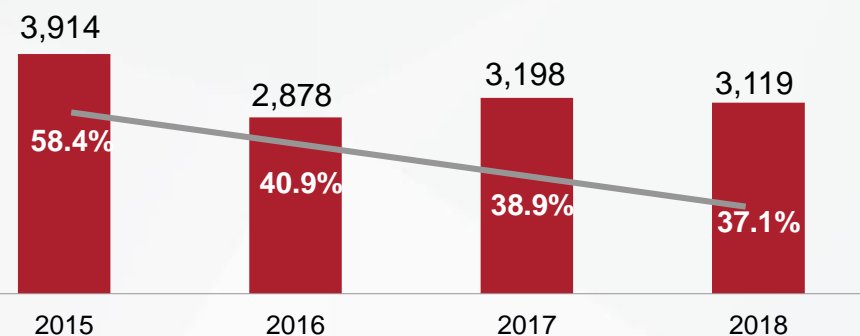
## Dividend payout

US\$ million



## Interest-bearing Debts & Gearing

US\$ million



Note :

1. Total dividend payout / profit attributable to owners of the company after biological fair value adjustments



## 02 2018 Business Review

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# 2018 Business Review - China



Growth in operation scale and achieved record profits.

Despite the impact of ASF, the fresh pork business experienced solid growth in scale and profits due to the advantages of the nationwide operational scale.

New product and channel development for packaged meats business yielded satisfactory results, resulting in continuous improvement in product portfolio and solid volume growth in new channels.

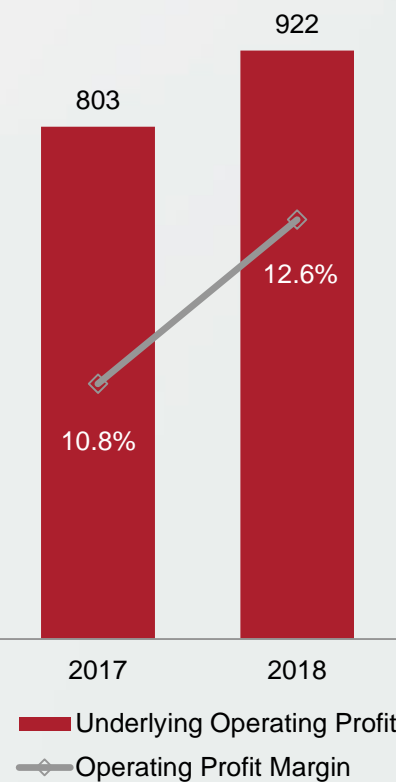
Built up a professional marketing team and systematic marketing management mechanism in order to improve marketing capabilities and implement new initiatives.



# Growth in operation scale and achieved record profits

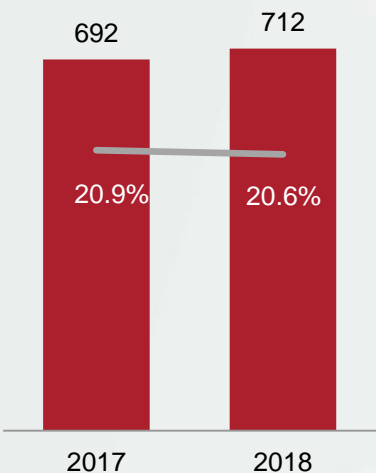
**Underlying Operating Profit and Margin <sup>(1)</sup>**

US\$ million



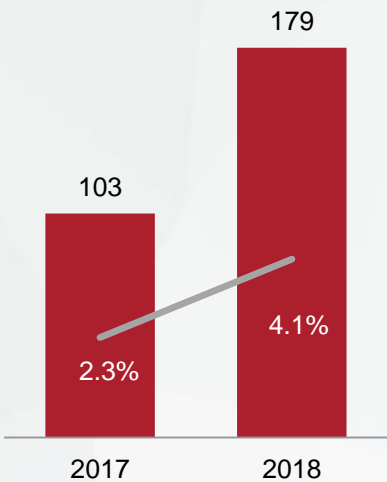
**Packaged Meats <sup>(2)</sup>**

US\$ million



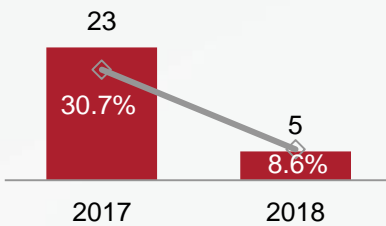
**Fresh Pork <sup>(2)</sup>**

US\$ million



**Hog Production <sup>(2)</sup>**


US\$ million



Note:  
1. Percentage marked in white on the bars represent Underlying Operating Profit Margin = Underlying operating profit / external sales  
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales



# 2018 Business Review – US and Europe



Profit in the packaged meats business across the US & Europe achieved record high with the advantage of the vertically integrated value chain and continuous enhancement of product mix.

Profits in the US fresh pork and the hog production businesses declined significantly due to an overabundant supply of meat in the market, as well as trade tensions.

The European business significantly optimized its business portfolio and expanded its scale through M&A. However, profit in hog production declined significantly due to a decrease in hog price.

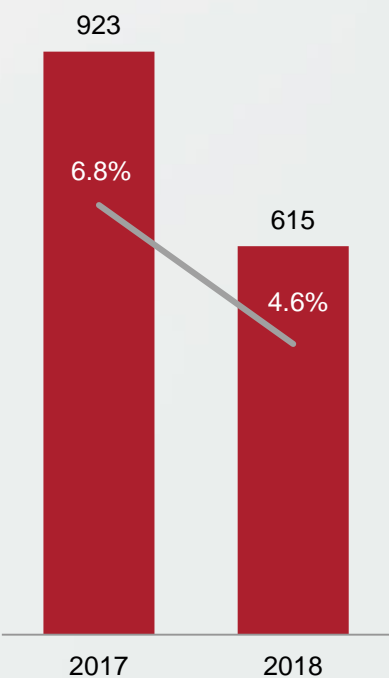




# U.S. and European operations affected by the change in trade environment and industry dynamics

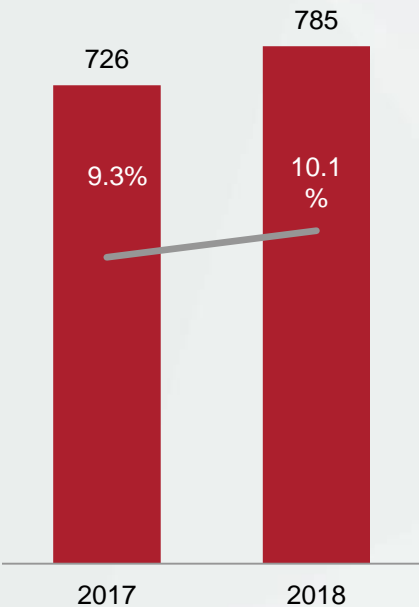
## Operating Profit and Margin <sup>(1)</sup>

US\$ million



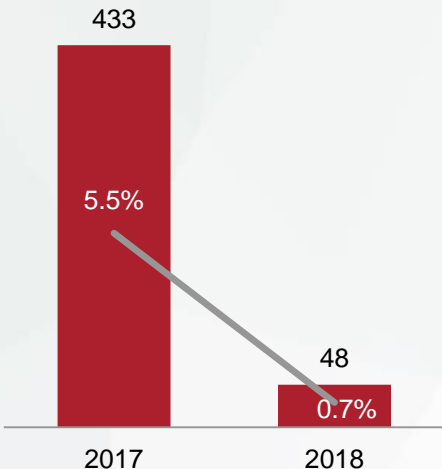
## Packaged Meats <sup>(2)</sup>

US\$ million



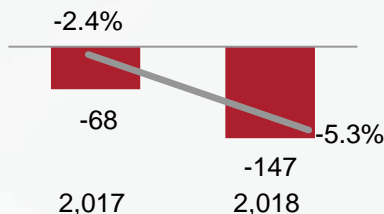
## Fresh Pork <sup>(2)</sup>

US\$ million



## Hog Production <sup>(2)</sup>

US\$ million



Note:  
1. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / external sales  
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales





## U.S. and European operations affected by the change in trade environment and industry dynamics

### Operating Profit and Margin <sup>(1)</sup>

US\$ million

### Packaged Meats <sup>(2)</sup>

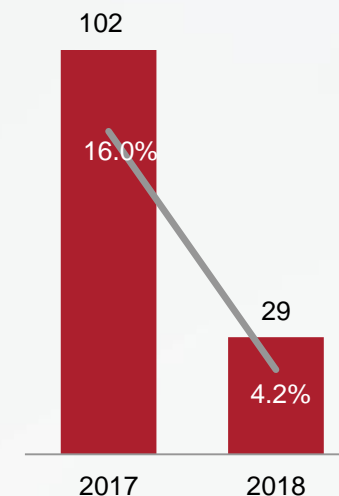
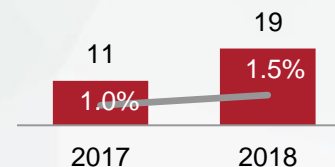
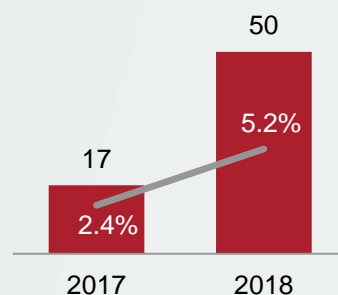
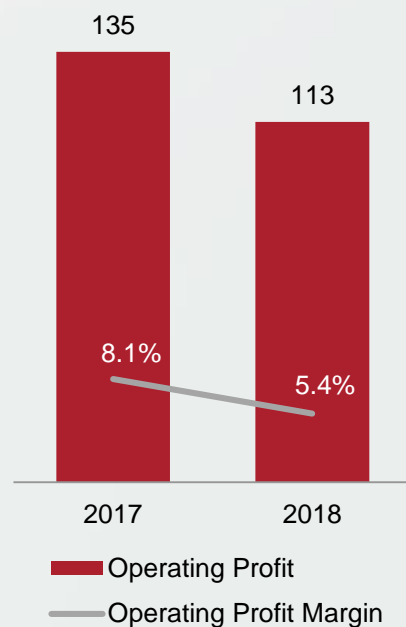
US\$ million

### Fresh Pork <sup>(2)</sup>

US\$ million

### Hog Production <sup>(2)</sup>

US\$ million



Note:

1. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / external sales
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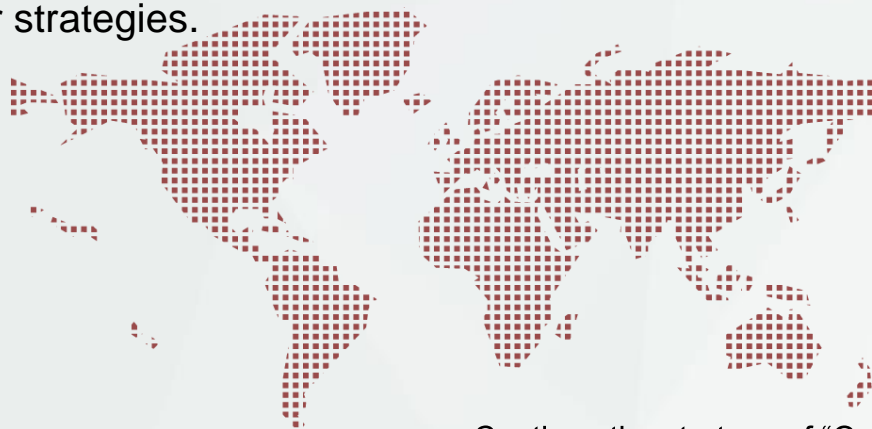


## 03 Strategies and Outlook

# Strategies and Outlook



Since the company was listed four years ago, the achievements of WH Group have highlighted the group's advantages and anti-risk capability. As a multi-regional consumer products company, the packaged meats segment has always been our core business. We believe the Group will further consolidate its global leading position and achieve sustainable growth by adhering to our strategies.



- Continue to implement the Earnings Improvement & Growth Plan.
- Accelerate the integration of newly acquired projects in Europe to achieve growth in operational scale and profitability.
- Boost business integration to tap internal potential and improve operational efficiency.
- Give full play to the advantages of the new management team and continue to drive growth through reform and innovation.
- Continue the strategy of “Optimization of product portfolio in the packaged meat segment and market expansion in the slaughtering segment”, and to accelerate product innovation and channel transformation to cope with the challenges in the market.
- Carry out industrial upgrade and logistics enhancement to improve operation and service efficiency. In addition, the group will enhance business scale and profitability through IT and digital transformation.
- Spare no effort to prevent and control ASF and avoid potential losses, and to achieve profit maximization through the advantages of our nationwide industrial platform in China.





# 04

## Appendix





# Product Innovation

## High temperature products

- New starch-free Shuanghui Ham Sausage: King of the King
- Shuanghui sweet ham sausage-meat and corn mix
- Shuanghui refined king ham sausage



## Low temperature products

- Marco Polo sausage low temperature series ( Marco Polo·Venice Flavored Round Ham / Marco Polo ·Milan Flavor Sausage / Marco Polo ·Sandwich Ham / Marco Polo ·Vienna Flavor Sausage )
- Old-fashioned sausage launched by the Northeast market



## Leisure Products : Salted / braised flavor eggs

## Chinese Style Products :

### Preserved meat / Braised vegetables series







# Product Innovation



## Meal Kits



## All Natural Breakfast

*Pure Farmland Bacon & Specialty Cuts*



## Lunchmeat



**Regular  
Family Size  
Ham Slices**

## Holiday Ham

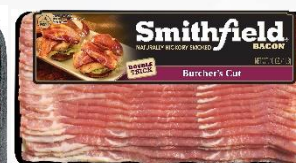
*Pure Farmland  
& Smithfield  
Spiral Sliced*



## Specialty Cut



**Biscuit breakfast  
sausages**



**Smithfield Pre-Rigor Breakfast Sausage and Bacon**





We came from Poland



Originally



# Product Innovation



Thin sausages



Hot dogs



Dried products



Smoked



Semi



Formed hams



Convenience



Tender Hams



Spice sausages



Family Ham



THE WORLD'S LEADING PORK COMPANY

Unit 7602B

International Commerce Center

1 Austin Road West

Kowloon, Hong Kong