



萬洲國際  
WH GROUP

2018


Interim Results

August 2018

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01

## 1H 2018 Highlights

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# Consolidated Financials Overview

## Key Operating Data

	1H2018 <sup>(1)</sup>	1H2017 <sup>(1)</sup>	Y-o-Y Change
Hogs produced (000 heads)	10,127	10,001	1.3%
Hogs processed (000 heads)	27,832	25,932	7.3%
Packaged meats sold (000 metric tons)	1,603	1,560	2.8%

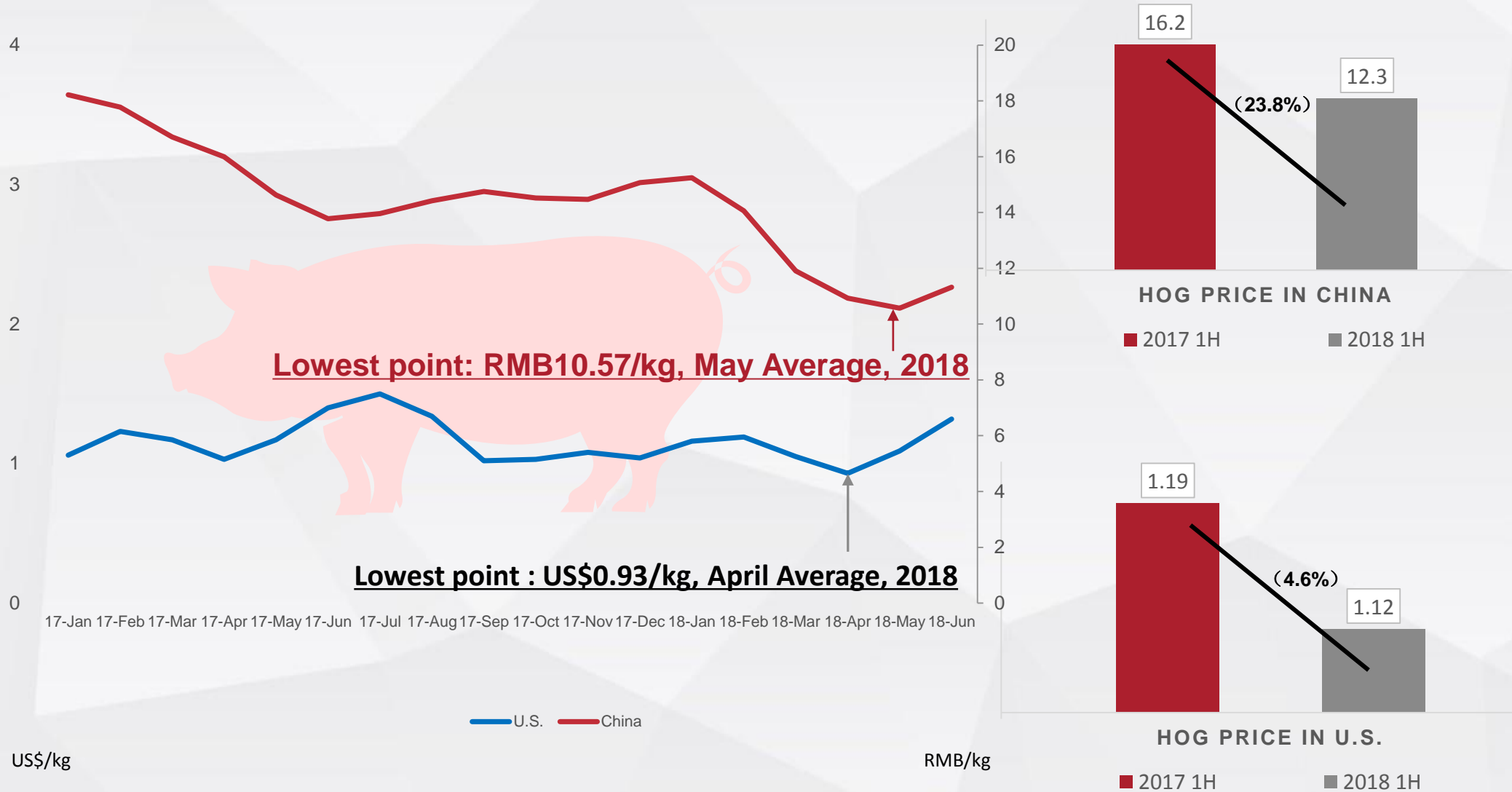
## Key Financial Data

US\$ Million	1H2018 <sup>(1)</sup>	1H2017 <sup>(1)</sup>	Y-o-Y Change
Revenue	11,169	10,658	4.8%
EBITDA <sup>(1)</sup>	1,111	1,143	-2.8%
Operating profit <sup>(1)</sup>	867	901	-3.8%
Profit before Tax <sup>(1)</sup>	837	812	3.1%
Profit for the period <sup>(1)</sup>	661	572	15.6%
Profit attributable to owners of the Company <sup>(1)</sup>	557	492	13.2%
Basic earnings per share (US\$ cents) <sup>(1)</sup>	3.80	3.60	5.6%
Interim dividend per share (HK\$ )	0.05	0.05	-

Note:

1. Before biological asset fair value adjustments

# Hog Prices in China and U.S.



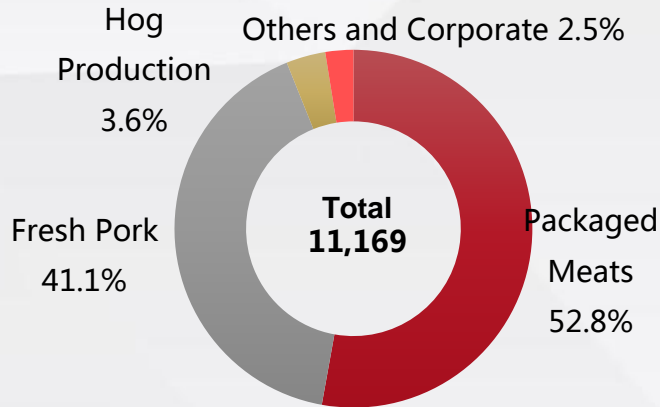
Source: Chicago Mercantile Exchange and Ministry of Agriculture of the People’s Republic of China

# Revenue and Operating Profit

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

US\$ million

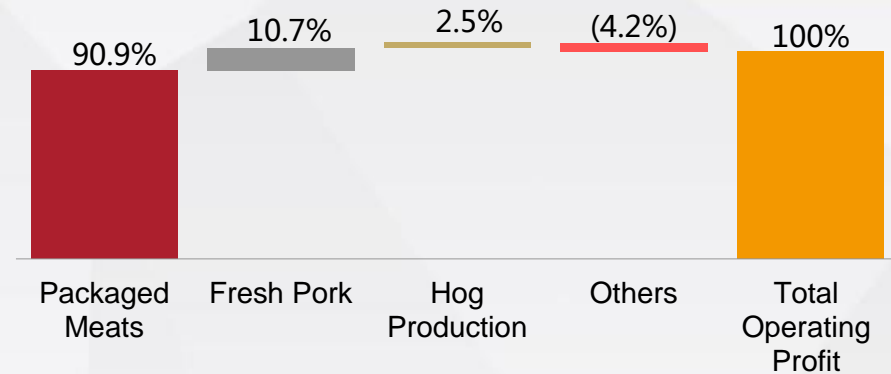
%



1H 2018 Operating Profit by Business Segments <sup>(2)</sup>

US\$ million

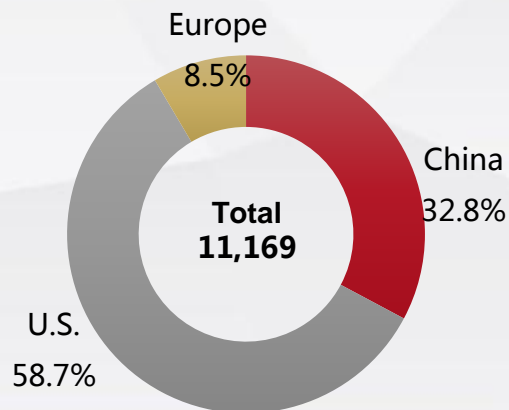
%



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

US\$ million

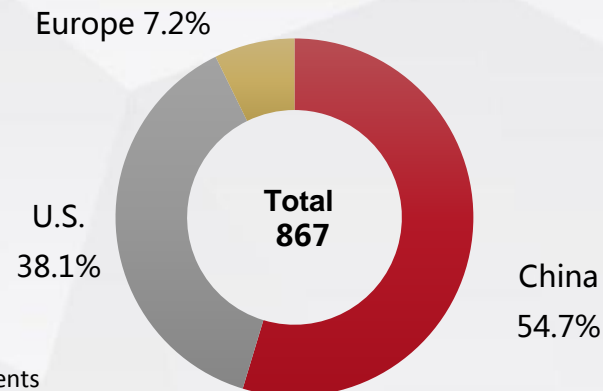
%



1H 2018 Operating Profit by Region <sup>(2)</sup>

US\$ million

%



Note:

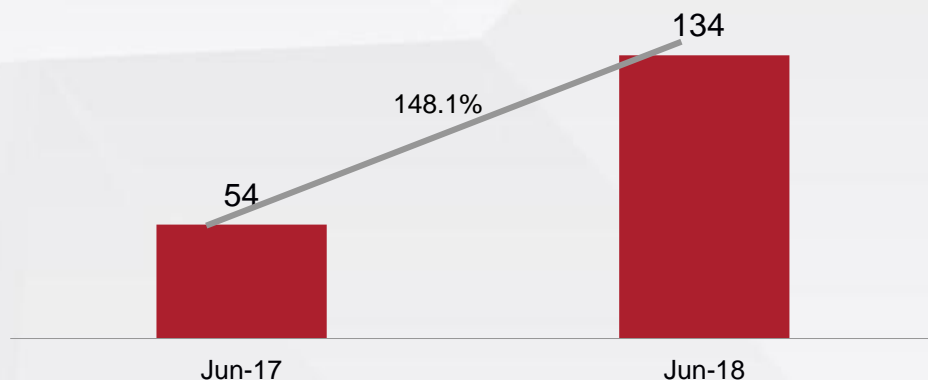
1. External sales

2. Before biological fair value adjustments

# Cash Flows and Capital Structure

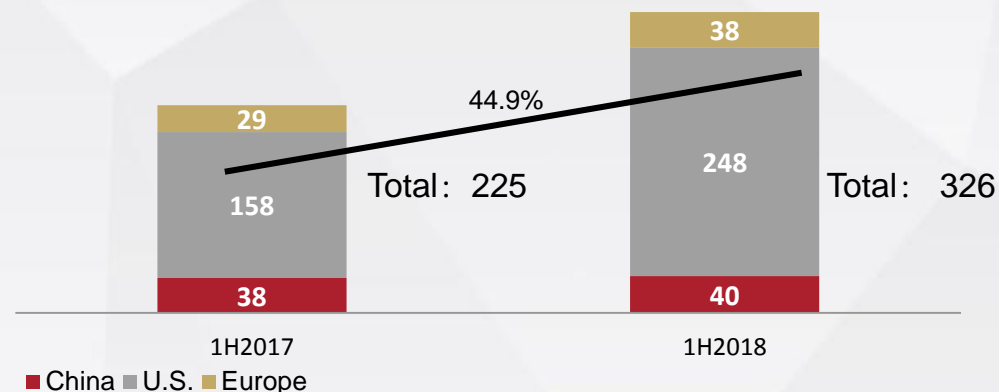
## Operating Cash Flow

US\$ million



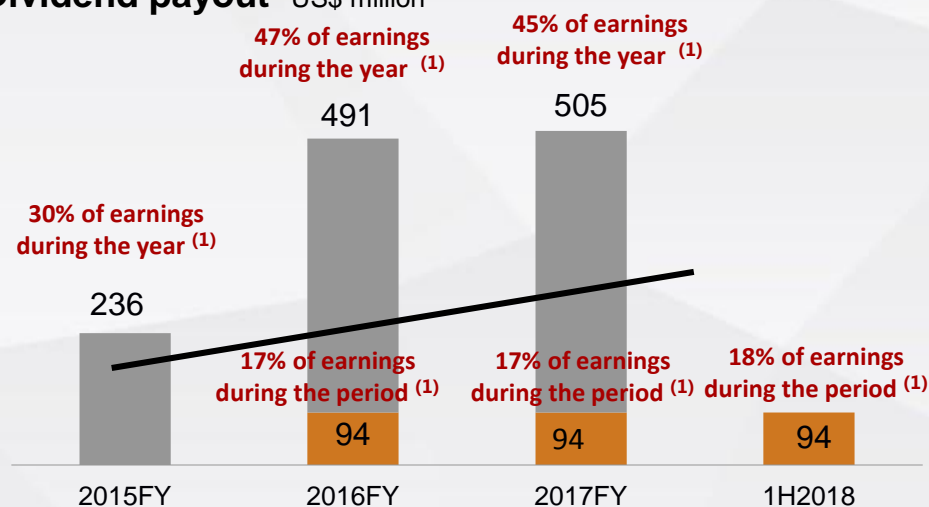
## Capital Expenditures

US\$ million



## Dividend payout

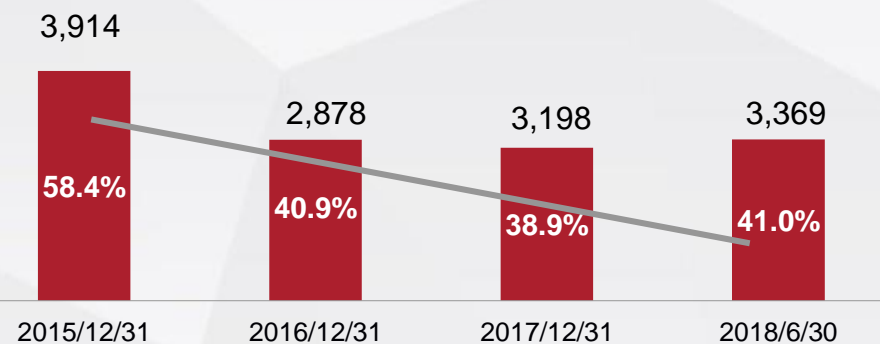
US\$ million



## Interest-bearing Liabilities / Total Equity

US\$ million

%



Note :

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



02

## 1H 2018 Business Review

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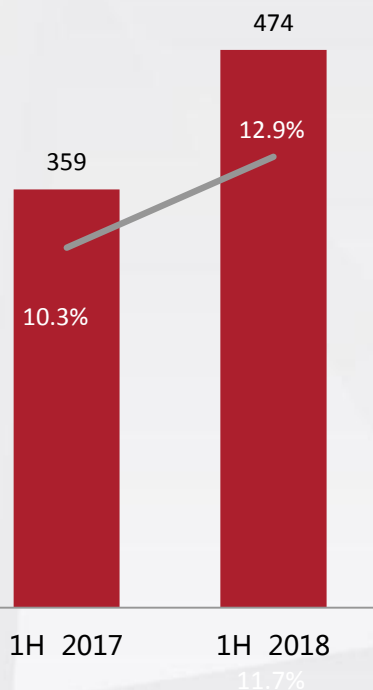




# Significant growth in operation scale and delivered solid results

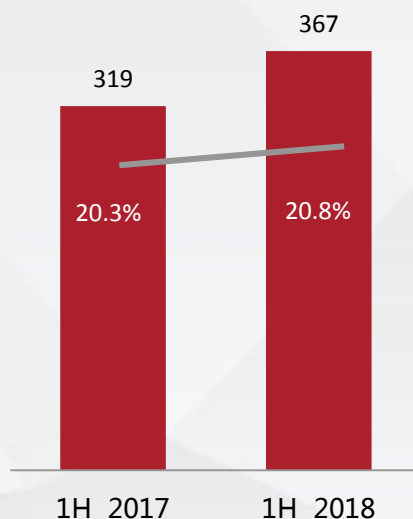
## Operating Profit and Margin <sup>(1)</sup>

US\$ million



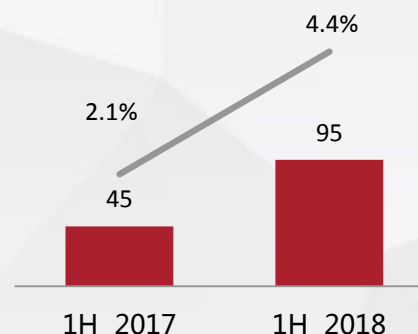
## Packaged Meats <sup>(2)</sup>

US\$ million



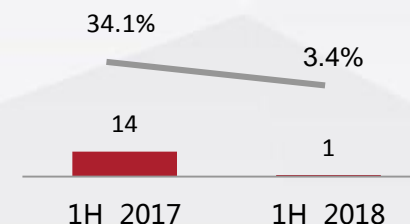
## Fresh Pork <sup>(2)</sup>

US\$ million



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

US\$ million



Operating profit margin

Note:

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

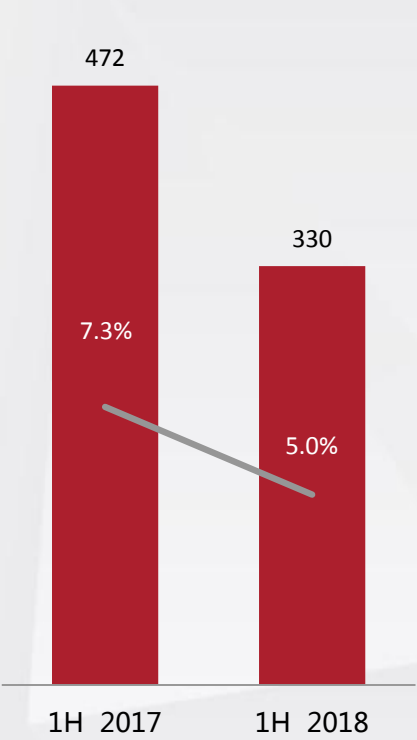
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales

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



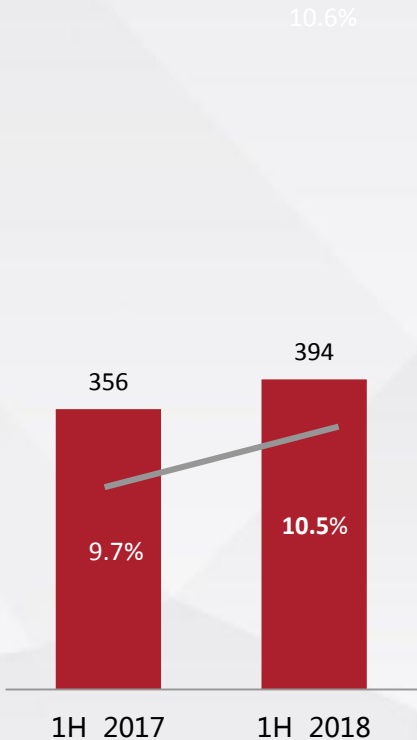
## Operating Profit and Margin <sup>(1)</sup>

US\$ million



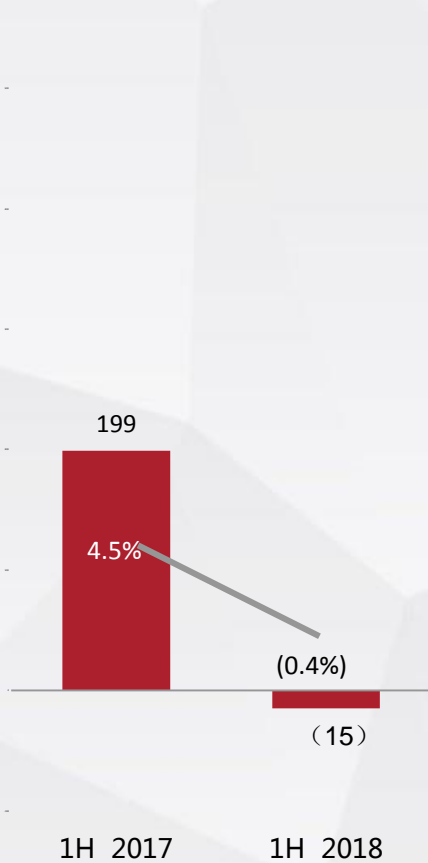
## Packaged Meats<sup>(2)</sup>

US\$ million



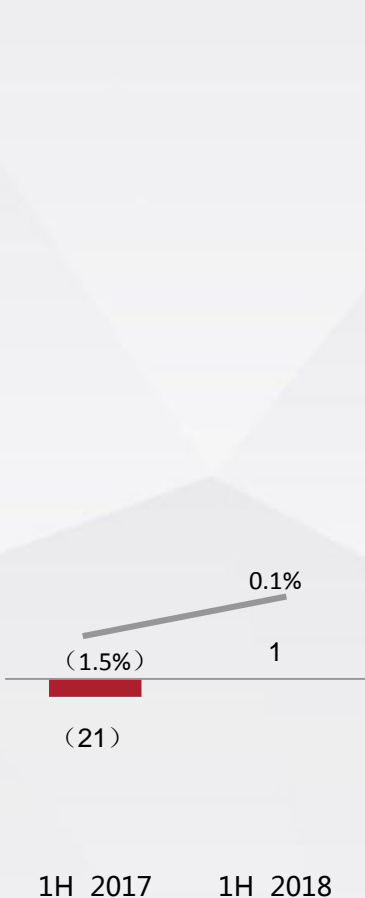
## Fresh Pork <sup>(2)</sup>

US\$ million



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

US\$ million

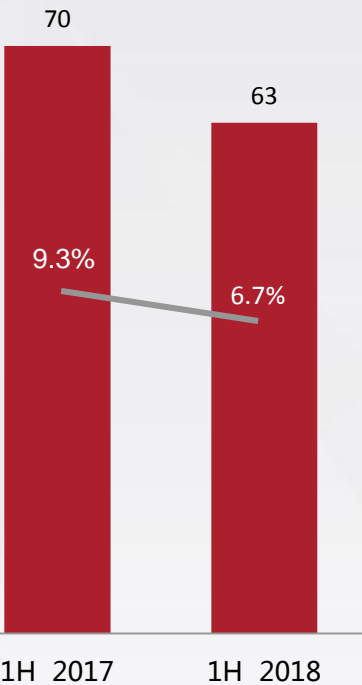


Note:  
1. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / external sales  
2. Percentage marked in white on the bars represent Operating Profit Margin = operating profit / internal and external sales

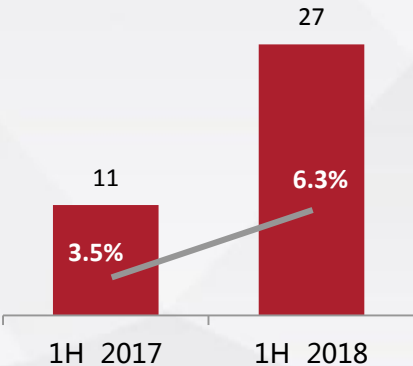
# U.S. and European operations affected by change in trade environment and industry dynamics



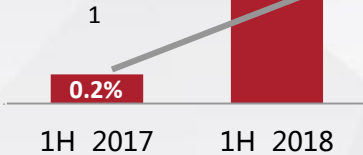
**Operating Profit and Margin <sup>(1)</sup>**  
US\$ million



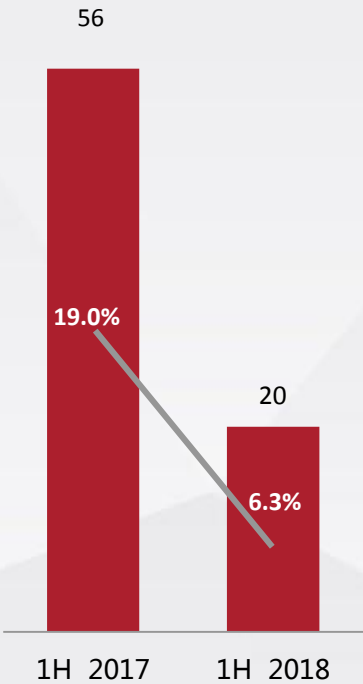
**Packaged Meats <sup>(2)</sup>**  
US\$ million



**Fresh Pork <sup>(2)</sup>**  
US\$ million



**Hog Production <sup>(2)</sup>**  
US\$ million



Operating profit margin

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



# 2018 1H Business Recap



Despite the impact of changes in trade dynamics, the Group leveraged its global presence in the industrial value chain and continued to achieve sustainable growth in revenue and business scope



The China business seized favorable industry and market opportunities and delivered solid profit growth. The fresh pork segment experienced significant growth and the packaged meats segment continued to realign its product portfolio



Profit in the U.S. fresh pork segment declined significantly due to an overabundant supply of meat in the market and trade tensions. The hog production segment rebounded and profit in the packaged meats segment grew steadily due to effective hedging and the advantage of the vertically integrated value chain



The European business continued to expand its scale and boost revenue through M&A. However, profit in the segment was down due to decreased hog price and increased expenses



03

## Strategies and Outlook

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# Strategies and Outlook

WH Group has improved its global operations management through business integration and development over the past five years. As a consumer goods company, branded packaged meats is our core business. We will continue to innovate and realign our product portfolio and global trade strategy to mitigate the impact of trade dynamics and create long-term value for our shareholders !



- Strengthen the global business operation through synergy to boost our global footprint
- Adhere to globalization strategy, strengthen the global business platform and expand business scale and scope
- Limit hog production, sensibly develop fresh pork business, focus on the expansion of packaged meat business to enhance brand value
- Leverage complementary advantages and realize synergies by integrating global resources. Realize further development through expansion of trading business and sales and distribution network
- Continue our Earnings Improvement & Growth Plan
- Accelerate the integration of new acquisitions in Europe to achieve growth in operational scale and profitability
- Boost business integration to tap internal potential and improve operational efficiency
- Realign business strategies and develop emerging markets
- Seize the favorable opportunity of the industry and accelerate the scale of fresh pork business
- Achieve volume growth in packaged meats through development of Chinese-style products and product portfolio realignment
- Brand upgrades through innovative marketing strategies
- Enhanced and accelerate sales network development





# 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*



**Regular  
Family Size  
Ham Slices**



## Lunchmeat



## Holiday Ham

*Pure Farmland  
& Smithfield  
Spiral Sliced*



## Specialty Cut

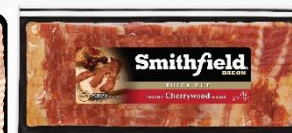
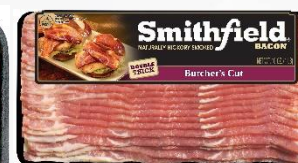


# Smithfield.

*2018 New Item Launches*



**Biscuit breakfast  
sausages**



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

Morliny

BERLINKI

We came  
from Poland



Originally



## Product Innovation



Thin sausages



Hot dogs



Dried  
products



Smoked



Semi



Formed  
hams



Convenience





THE WORLD'S LEADING PORK COMPANY

Unit 7602B

International Commerce Center

1 Austin Road West

Kowloon, Hong Kong