

Date

9 December 2015

Company

Universal Robina Corp.

First Look Corporate

FY15 Earnings below expectation;
Maintain Buy, Lower TP

Stock URC**Price** 184.80**52wk Range** 173 - 234**Rating** BUY - Core Holding**Target** 223.00, 33x P/E**Upside** 19%**Issued Shares** 2,181m**Market Cap** P403,141m**Free Float** 43.52%**PSEi** 6.12% (4/30)**MSCI** 6.07% (6/45)

We maintain a **BUY - Core Holding** for URC but expected challenges in 2016 and lower guidance prompted revisions and lowered Target Price to P223.00/sh, 33x 2015P/E, providing an upside of 19%. FY15 earnings came in below forecast but we expect URC's market leadership to continue benefiting from growing domestic consumption. Moreover, international BCF is scaling up in Indonesia and JVs with Clabee and Danone as we'll as expanding Griffins' in other markets. *Please read page 3 for Technical Analysis.*

Below Forecast: FY15 Net Income +9% to P12.7bn, accounting for 91% of FY15F P13.89bn

- Core Net Income +15% to P16.4bn; EBITDA 23% to P22.10bn; EBIT Margin up by 68 bps to 16%
- Sales +18% to P109.10bn driven by Branded Consumer Foods Group (+19% to P91.86bn) and sustained contribution from Non-BCF (+14% to P17.1bn) driven by Sugar (+48% to P4.14bn) and Feeds (+22% to P4.16bn). Non-BCF is expected to sustain robust profit due renewables investments.

BCF Philippines slower sales growth offset by BCF International due to Griffins consolidation. URC continues to maintain market leadership across brands.

- BCF Philippines posted slower sales growth (+10% to P57.6bn) due to a high base and El Nino impact but offset by International (+39% to P33.13bn) which got a boost from the consolidation of Griffins.
- BCF Philippines sales driven by Snackfoods, Noodles, Coffee and RTD Beverage. EBIT (+23.4% to P10.7bn) and margin expanded (+200bps to 18.5%) from volume growth, lower input prices, and operational efficiencies.
- BCF International sales offset slower domestic business (+39.4% to P33.1bn) driven by core markets of Thailand (+10%), Vietnam (+8%), Indonesia (+35%) while and New Zealand is on a path to scale (-4% but +2% in local currency). EBIT (+55% to P3.9bn) and EBIT margin (+119bps to 11.8%) expanded due to lower input prices which were partly offset by forex volatility.

Expects challenging 2016

- Challenges ahead include El Nino impact on consumer sentiment, possible forex volatility; increase in prices of some key inputs like sugar, cocoa, potato derivatives; weaker macro, particularly in Thailand and Indonesia; tougher competition due to AFTA/AEC and coffee market.
- Capex estimated between \$180-200mn as it plans to install additional facilities and capacities across for BCF and launch new products/brands across snackfoods and beverages; scale up brand building and distribution for JVs with Calbee and Danone and progressively introduce Griffins in URC markets in Asia.
- Guidance for sales growth at high single digit and EBIT at a slower pace (mid to high single digits).

	Actual		Forecast		
	2013	2014	2015	2016	2017
Sales	81.00	92.38	114.06	123.78	136.19
		14%	23%	9%	10%
EBIT	10.28	14.12	18.18	19.47	22.29
		37%	29%	7%	14%
EBITDA	13.90	18.00	23.36	25.53	28.79
		29%	30%	9%	13%
Net Income	10.04	11.66	13.89	14.76	17.03
		16%	19%	6%	15%
EPS	4.60	5.30	6.25	6.77	7.80
		15%	18%	8%	15%
P/E			35.2	32.49	28.21
BVPS	23.28	25.65	27.68	30.89	34.84
PBV			1.17	1.05	0.93
ROA%	14.70	16.00	14.98	14.03	15.16
ROE%	20.69	21.66	23.57	22.83	24.29



Technicals

Current 184.80
Support 171
Resistance 188, 196, 204 210, 220, 234 (all-time high)
Target Price 223.00
Upside 19%

- The stock has been consolidating between 173/184 - 204/210. At current price, the stock is down 21% from all-time high of 234
- RSI 14-day is at oversold territory at 11, MAC/D however remains tilted down in bearish crossover
- Current price indicates a BUY with TP 236.70, upside of 19%. However, current market weakness may lead to even more attractive entry levels. Watch support at 171.

REFERENCES URC, Bloomberg, Reuters, DA Market Securities, Inc. **DISCLAIMER** This report is provided for informational purposes only and is not intended to solicit buying and selling of securities or to participate in any particular trading strategy. DA Market Securities, Inc. (DMSI) makes reasonable effort to use reliable, comprehensive information, but makes no representation or warranties as to the accuracy, completeness, or timeliness of the data provided. DMSI shall not have liability for any damages of any kind relating to such data. This report may not be reproduced or published for any purpose. DA market officers, directors and employees, including persons involved in the preparation or issuance of this report, may have investments in securities or derivatives of securities of the companies mentioned in this report.