Philippines Business Plan

October 2017

Outline

1. Market Size & Potential
2. Retail Landscape & Competition
3. Go-To-Market Strategy
4. Support Needed & Timeline
5. 5 Year Projection

Market Size & Potential

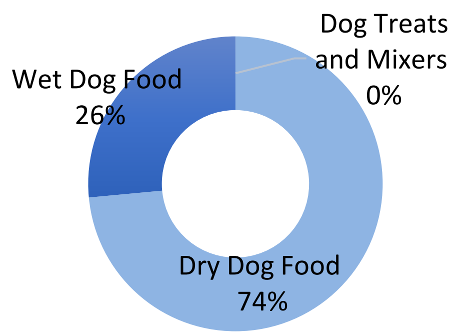
Overall Market Size

Dog

Tonnes	2011	2012	2013	2014	2015	2016
Dog Treats and Mixers	1.1	1.1	1.1	1.2	1.2	1.2
Dry Dog Food	5,321.2	5,806.4	6,325.2	6,887.9	7,507.1	8,202.2
Wet Dog Food	2,424.3	2,525.4	2,625.8	2,730.2	2,837.8	2,954.2
Dog Food	**7,746.7**	**8,332.9**	**8,952.1**	**9,619.2**	**10,346.0**	**11,157.6**
YoY Growth		**8%**	**7%**	**7%**	**8%**	**8%**

Steady growth in volume. Dry dog food remains the most popular type of dog food and expect continue to grow at the fastest pace among all dog food.

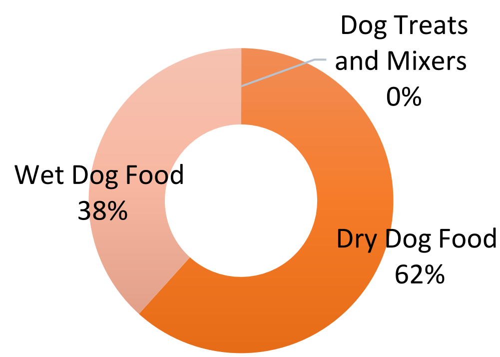
2016 Volume%



USD million	2011	2012	2013	2014	2015	2016
Dog Treats and Mixers	0.01	0.01	0.02	0.02	0.02	0.03
Dry Dog Food	16.1	17.81	19.93	22.40	25.12	28.07
Wet Dog Food	11.7	12.69	13.73	14.87	16.19	17.44
Dog Food	**27.81**	**30.51**	**33.68**	**37.29**	**41.33**	**45.54**
YoY Growth		**10%**	**10%**	**11%**	**11%**	**10%**

Steady growth in value. Sales of dry dog food are rising and enjoying the highest value growth, highest contributor is economy dry dog food.

2016 Value %



Exchange Rate: 1 USD=48 PHP
Data Source: 2016 Euromonitor Reports

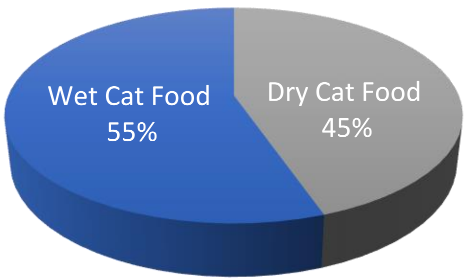
Overall Market Size

Cat

Tonnes	2011	2012	2013	2014	2015	2016
Cat Treats and Mixers	-	-	-	-	-	-
Dry Cat Food	452.2	494.5	538.2	584.7	634.8	688.4
Wet Cat Food	648.8	687.9	727.3	769.6	811.4	853.8
Cat Food	**1,101.0**	**1,182.3**	**1,265.4**	**1,354.3**	**1,446.2**	**1,542.2**
YoY Growth		**7%**	**7%**	**7%**	**7%**	**7%**

Steady growth in volume. Wet cat food dominates the prepared cat food market.

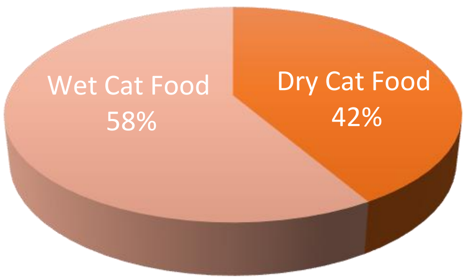
2016 Volume %



USD million	2011	2012	2013	2014	2015	2016
Cat Treats and Mixers	-	-	-	-	-	-
Dry Cat Food	1.8	2.08	2.34	2.63	2.97	3.33
Wet Cat Food	3.04	3.34	3.64	3.96	4.32	4.68
Cat Food	**4.84**	**5.42**	**5.98**	**6.59**	**7.29**	**8.01**
YoY Growth		**11%**	**10%**	**10%**	**11%**	**10%**

Sales of wet cat food dominate. but dry cat food is growing in a faster pace as dry food is more affordable for everyday feeding.

2016 Value %

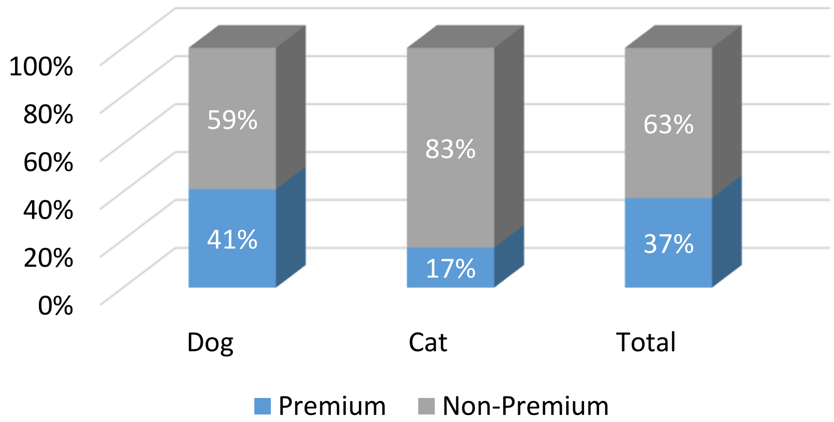


Exchange Rate: 1 USD=48 PHP
Data Source: 2016 Euromonitor Reports

Overall Market Size (by price positioning share)

Premium / Non-Premium

(2016 Value USD million)



Price Tier Definition

Category	Price tier	Dog (PHP/Kg)	Cat (PHP/Kg)
Wet	Premium	230↑	350↑
	Standard	170-230	200-350
	Economy	-	-
Dry	Premium	210↑	270↑
	Standard	150-210	150-270
	Economy	150↓	-

Exchange Rate: 1 USD=48 PHP
Data Source: 2016 Euromonitor Reports

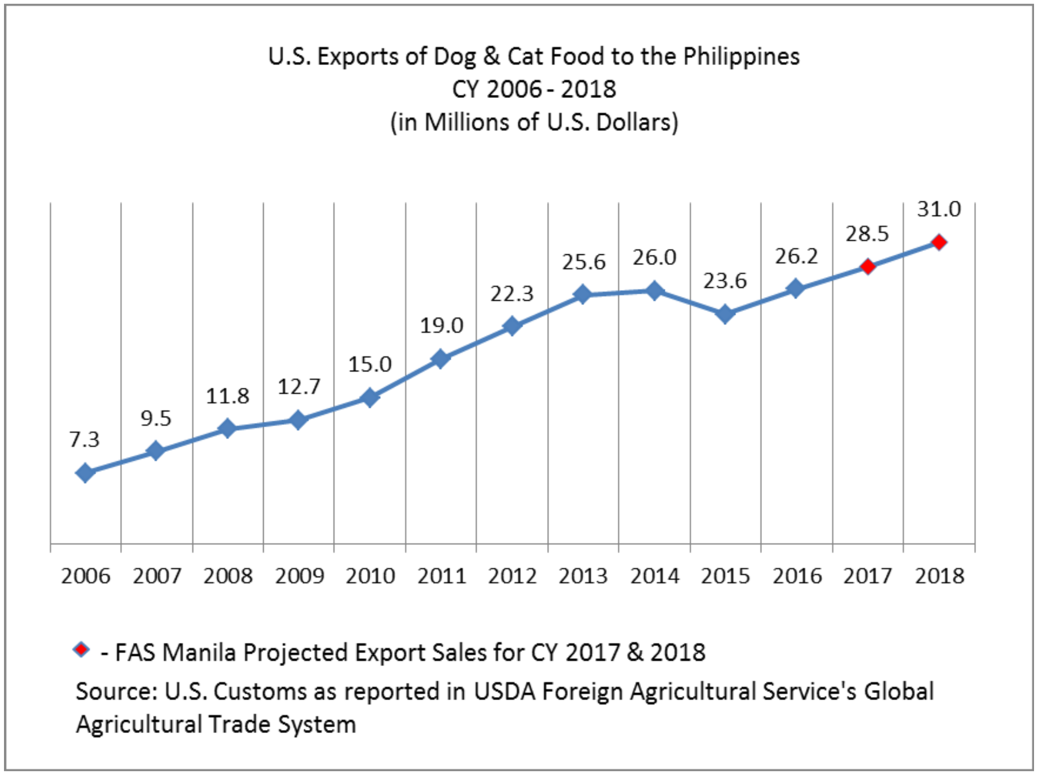
Premium Category Growth Trend

USD million	2011	2012	2013	2014	2015	2016
Premium Dry Dog	5.9	6.42	7.10	7.88	8.66	9.58
Premium Wet Dog	5.7	6.32	6.95	7.62	8.33	9.08
Premium Dog	**11.6**	**12.74**	**14.05**	**15.50**	**16.99**	**18.66**
YoY Growth Rate		**10.1%**	**10.3%**	**10.3%**	**9.7%**	**9.8%**

USD million	2011	2012	2013	2014	2015	2016
Premium Dry Cat	0.64	0.71	0.79	0.88	0.98	1.10
Premium Wet Cat	0.17	0.18	0.19	0.21	0.22	0.24
Premium Cat	**0.81**	**0.89**	**0.98**	**1.09**	**1.20**	**1.34**
YoY Growth Rate		**11.2%**	**10.1%**	**10.9%**	**10.7%**	**11.1%**

Potential

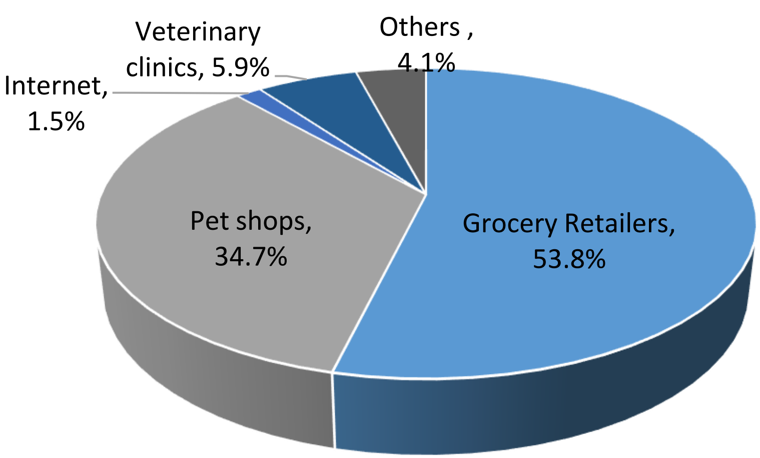
- **USDA FAS Report**
  - Philippines is the largest in SEA and the 10th largest in the world export market for U.S. dog and cat foods.
  - Export of U.S. made pet foods grew more than 300% in last decade and reached $26.2M in 2016
  - FAS Manila forecasts exports of U.S. dog and cat foods to Philippines will reach $28.8M in 2017 and $31M by end of 2018.



Retail Landscape & Competition

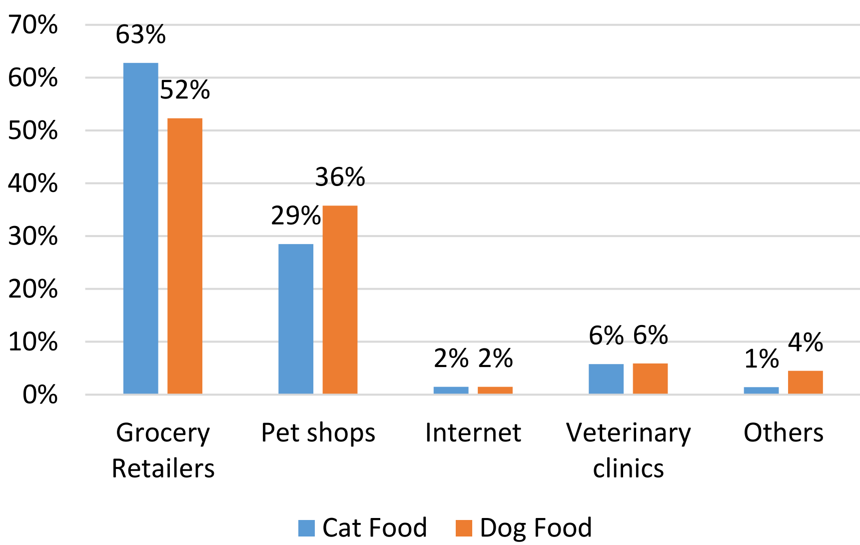
Retail Landscape

- **Dog & Cat Food Distribution Value Share**
  - Grocery Retailers (mainly supermarket) remained the key distribution channel due to its accessibility.
  - Pet shops follow closely behind, offering a wider range of product and brand options.
  - Value share in veterinary clinics continues growing year-by-year, due to increasing sales of premium brands or therapeutic brands and grooming services.
  - Internet retailers remained small at only 1.5%, online retailers continue to grow in number despite its additional charges (i.e. delivery fee) deters economy brand pet parents from shopping on line. This results the brands available on line are mid-priced / premium brands.



Distribution Coverage 2016

Data Source: 2016 Euromonitor Reports



Distribution Comparison of Dog & Cat Food 2016 (%)

Retail Landscape

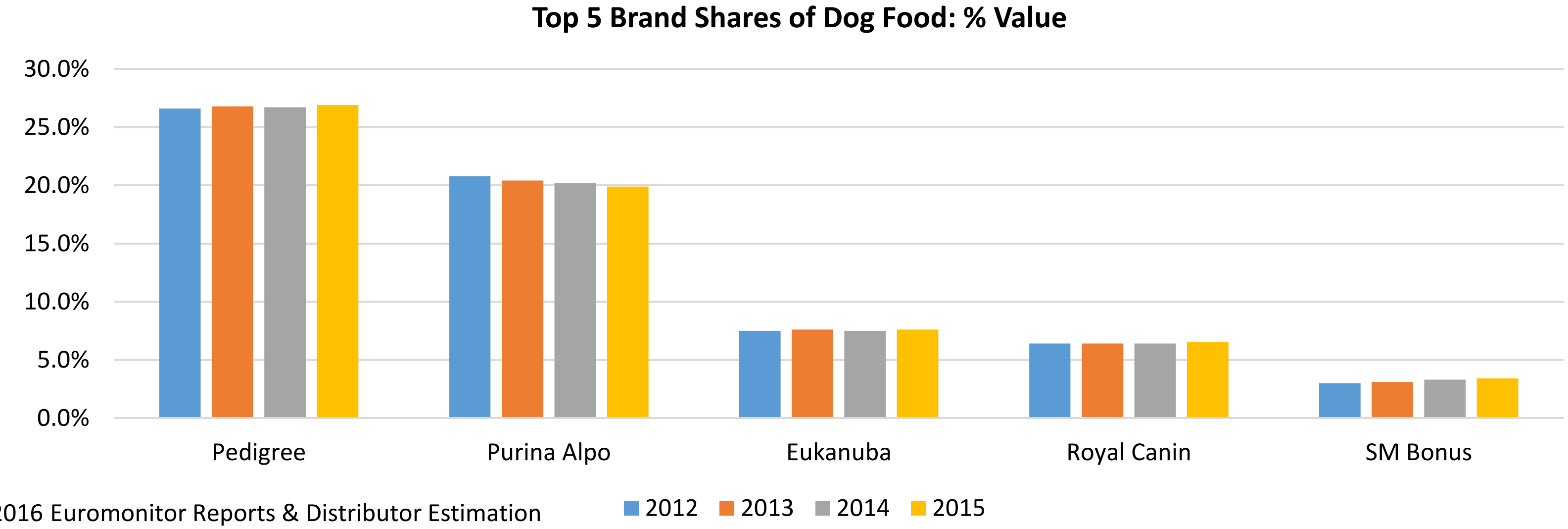
- **By Channel Type Universe**

Channel type	Outlet numbers
Pet shop	470
Vet clinic	400
Internet	4
Others	700

Data Source: Distributor Estimation

Competition of Dog Food

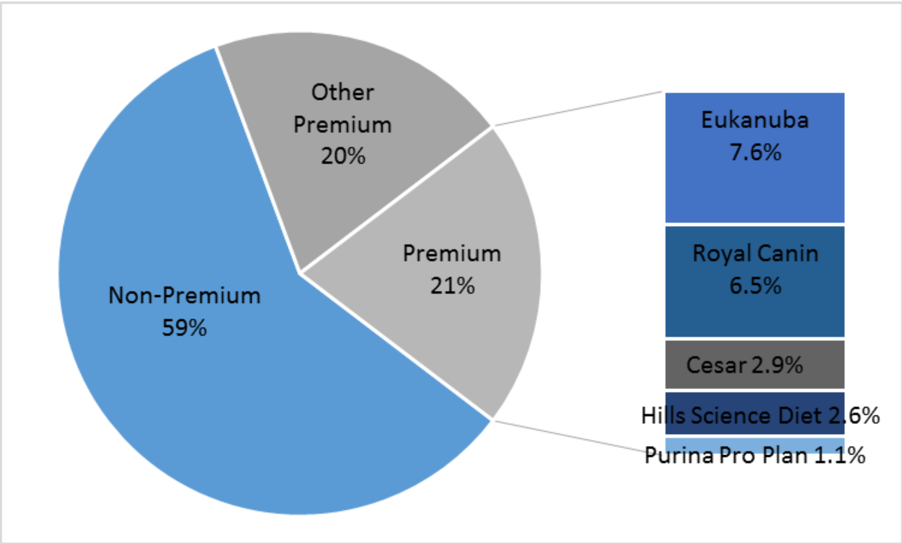
- Economy and mid-priced dog food brands hold majority of sales. However, sales of premium brands are growing especially among middle-to-upper class consumers.
- Pedigree is the leading dog food brand with a 26.9% value share, credit from their wide distribution, completed product portfolio and known brand awareness.

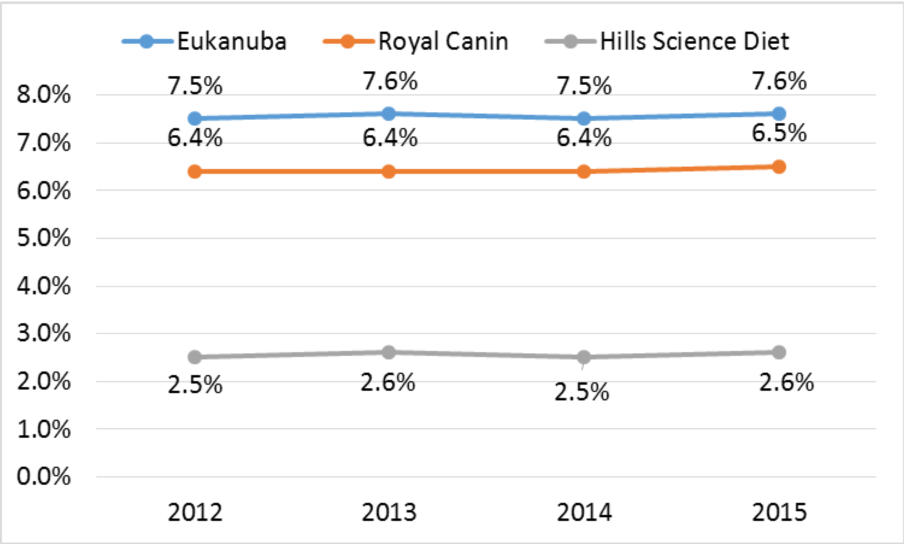


Data Source: 2016 Euromonitor Reports & Distributor Estimation

Competition of Premium Dog Food

- Volume sales of premium dog food are rising, up by 11% in the case of premium dry dog food and 9% in the case of premium wet dog food.
- Premium dog foods take up total 41% share of dog food segment.
- Eukanuba is the #1 player in premium segment, and followed by Royal Canin.
- Orijin, Acana, Go, Now, Taste of the Wild, Natural Balance are introduced. Acana is taking relative leading position due to its wider distribution in pet shops.

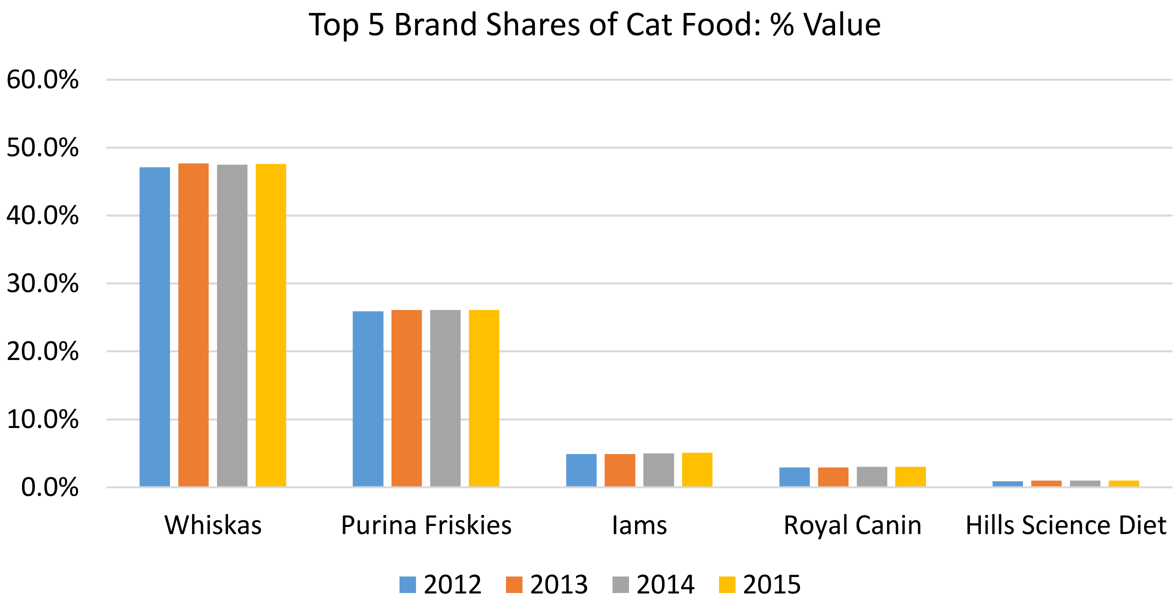




Data Source: 2016 Euromonitor Reports & Distributor Estimation

Competition of Cat Food

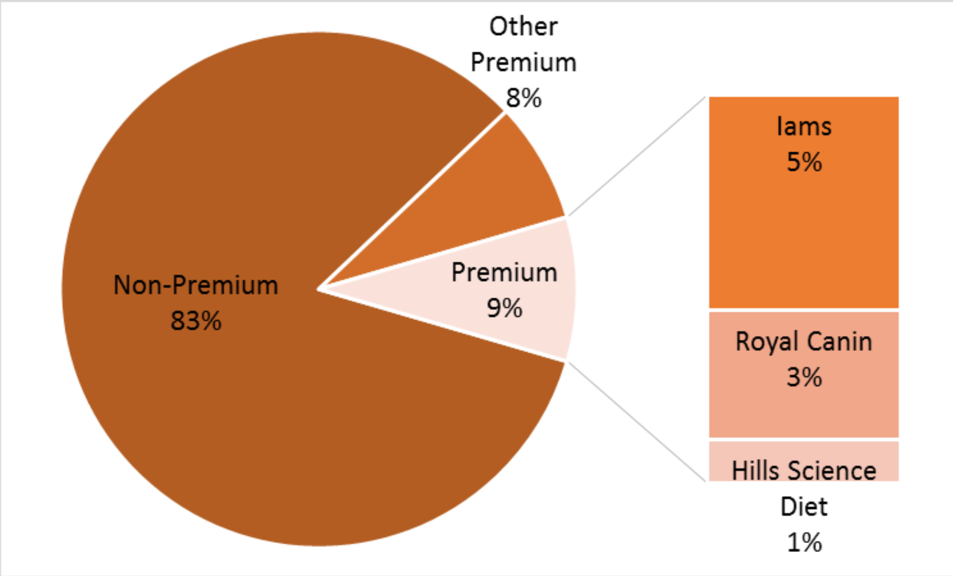
- Mid-priced dry cat food accounts for the highest volume sales, recording a 59% volume share.
- Whiskas leads cat food with a 47.6% value share in 2015, due to its wide distribution, frequent promotional incentives, and extensive product portfolio. Lack of economy brands also helps Whiskas to remain its prominent position.

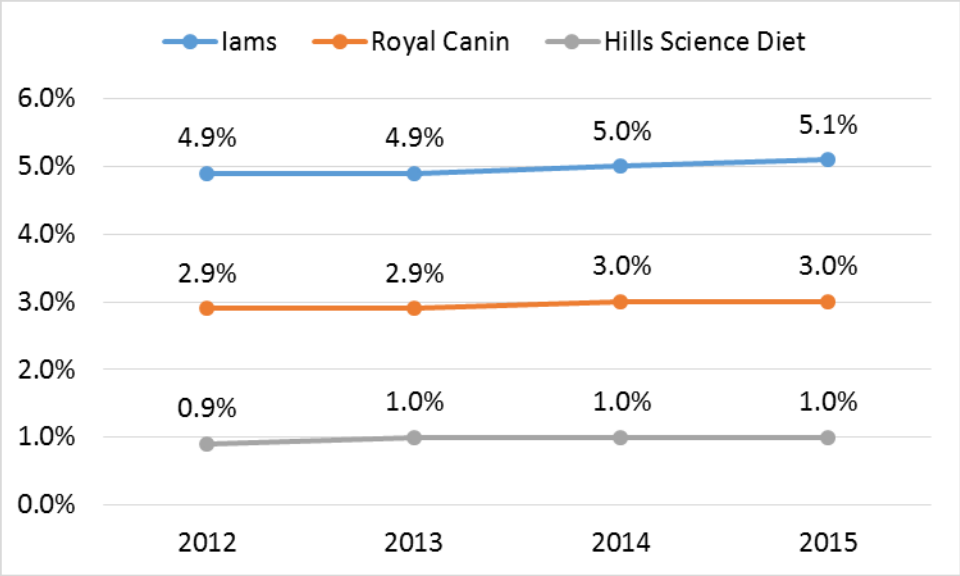


Data Source: 2016 Euromonitor Reports & Distributor Estimation

Competition of Premium Cat Food

- Volume sales of premium cat food are rising, up by 12% for both premium dry cat food and 8% for premium wet cat food.
- Premium cat foods take up only 17% share of cat food segment.
- Iams is the #1 player in premium segment followed by Royal Canin, then Hills Science Diet.





Data Source: 2016 Euromonitor Reports & Distributor Estimation

Summary

- Total dog and cat foods arrived at 12,700 tonnes and USD 54M value sales. Forecasted 2016 to 2021 7.8% CAGR will reach total 18,722 tonnes and USD 77M sales value.

- Although no significant increase in household owing pet, but pet food volume/sales increase in 2016 suggesting non-prepared food pet parents upgrading to prepared foods and prepared food pet parents trading up to premium prepared foods.

- Sales of all-natural/organic foods and other premium specialty brands grows despite the higher price hurdle. Natural brands are competing with imported premium specialty brands and in the establishing stage.

- Product knowledge and affordability are major factors impacting the growth of premium and natural brands. Social media is new rising tool following the popularization of mobile phone.

Go-To-Market Strategy

Selective Product Portfolio

- Cautiously selected SKU to enter market, with strong trial program support.
- Utilize True Blue Promise & True Blue Test to acquire Royal Canin & Acana users.
- Focus on small breed targeting on Royal Canin breed specific products in initial stage

Life Stage	Product Description	# of SKUs
PUPPY	BLUE PUPPY Natural Ckn & OatMeal Small Breed 6/15 lb.	2
	Blue PUPPY Lamb & Oatmeal 6/30 lb.	2
	Blue PUPPY Ckn & BR 6/15/30 lb.	3
	Blue PUPPY Ckn & BR Large Breed 30 lb.	1
ADULT	BLUE ADULT Toy Breed 4 lb.	1
	BLUE ADULT Dog Ckn & BR Small Breed 6/15 lb.	2
	BLUE ADULT Dog Natural Fish & BR Small Breed 6/15 lb.	2
	BLUE ADULT Small Breed Lamb Recipe 6/15 lb.	2
	BLUE ADULT Dog Fish & SP 6/30 lb.	2
	BLUE ADULT Dog Lamb & BR 6/15/30 lb.	3
No. of SKU to be launched in first 6 months		**20**

Premium Pricing with Quality Assurance

- Surpass Royal Canin & Acana in Ingredients and Nutrition.
- Distinctive Life Source Bits differentiate BLUE from other natural brands.
- Compete in small bag to avoid pricing competition in economy bag.

ADULT					
Description	Size	Unit	SRP ($PHP)	Index by Weight	Index by Bag
Eukanuba Adult	3.00	KG	570	46	51
Royal Canin X-SMALL ADULT	2.00	KG	520	63	46
Royal Canin Breed Specific ADULT	1.50	KG	610	99	54
ACANA ADULT SB Grain Free	2.00	KG	820	100	73
BLUE ADULT Dog Ckn & BR 6lb	2.72	KG	1,120	100	100
Go, Now Grain Free ADULT	2.70	KG	1,150	104	103
Orijen ADULT	2.27	KG	1,050	113	94
Eukanuba Adult	7.50	KG	1,300	58	64
Royal Canin X-SMALL ADULT	8.00	KG	1,882	79	93
ACANA ADULT SB Grain Free	6.00	KG	1,590	89	78
BLUE ADULT Dog Ckn & BR 15lb	6.81	KG	2,030	100	100
Eukanuba Adult	15.00	KG	2,400	61	67
ACANA ADULT SB Grain Free	12.00	KG	2,790	89	78
Orijen ADULT	13.00	KG	3,150	93	88
Go, Now Grain Free ADULT	11.25	KG	2,780	95	78
BLUE ADULT Dog Ckn & BR 30lb	13.62	KG	3,560	100	100

PUPPY					
Description	Size	Unit	SRP (EACH)	Index by Weight	Index by Bag
Eukanuba Puppy Small Breed	3.00	KG	620	49	53
Royal Canin X-SMALL JUNIOR	2.00	KG	603	71	52
ACANA PUPPY SB Grain Free	2.00	KG	820	96	71
Royal Canin Breed Specific Junior	1.50	KG	640	100	55
BLUE PUPPY Ckn & BR 6 lb	2.72	KG	1,160	100	100
Orijen PUPPY	2.27	KG	1,050	109	91
Eukanuba Puppy Small Breed	7.50	KG	1,400	62	68
ACANA PUPPY SB Grain Free	6.00	KG	1,590	88	77
Royal Canin X-SMALL JUNIOR	8.00	KG	2,184	90	106
BLUE PUPPY Ckn & BR 15 lb	6.81	KG	2,060	100	100
Eukanuba Puppy Small Breed	15.00	KG	2,600	64	70
ACANA PUPPY SB Grain Free	12.00	KG	2,790	86	75
Orijen PUPPY	13.00	KG	3,150	89	85
BLUE PUPPY Ckn & BR 30 lb	13.62	KG	3,700	100	100

Comprehensive Promotional Activity

Consumer

- Pet nutrition and ingredients communication
- Trial program (in-store)
- Pet Detective in mall
- Pet Fair/Event
- Social media (FB/IG)
- Tap Bloggers and Celebrity Pet Parents

Pet Retail

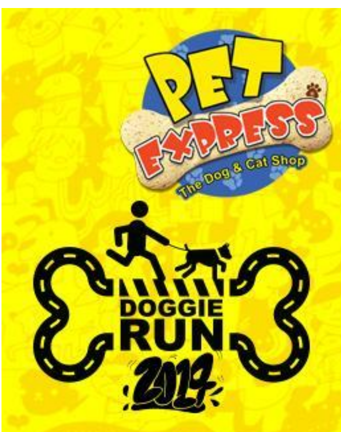
- Package deal
- Periodical rebate
- Advance selling
- Pet Detective in selected stores
- In-store display/POSM
- Social media to push traffic to stores

Vet Clinics

- Pet nutrition education and technical support
- Training and symposium
- Commercial deals

Breeder

- Puppy program (small-medium breed)
- Pet show (i.e. AKC BIB/BIC)
- Club sponsorship



Selective Distribution Coverage

- Selective distribution coverage.
- Target at Royal Canin Breed Specific and Acana's distribution.
- Where there is Royal Canin Breed Specific and Acana's, there will be Blue Buffalo.

Channel Type	Outlet numbers	Year 1	Year 2	Year 3
Pet shop	470	30%	70%	90%
Vet clinic	400	20%	50%	70%
Internet	4	100%	100%	100%
Others	700	20%	40%	60%

Support Needed & Timeline

Packaging & Regulatory Requirement

- **Packaging Requirement**
  - Local labeling requires manufacturer and distributor information
  - Ingredients, nutrition facts and expiry date
  - English labeling is OK
- **Regulatory Requirement Highlights**
  - Product registration and import permit required
  - Product registration and import permit will be applied by distributor
  - Need Certificate of Free Sale, Certificate of Analysis, Plant GMP Certificate, Plant Process Flow, Label Image, Letter of Distributor Appointment to be sent to Bureau of Animal Industry under Department of Agriculture
  - Need Proforma Invoice to apply import permit (by container)
- **Import Requirement Timeline**

Requirement	Time
Dossiers preparation	1 months
Product registration	1 months
Import Permit	2 weeks/batch

Timeline

2017	Oct	Nov	Dec	Jan	Feb
Senior Mgt Approval to Kick off					
Regulatory Documentation					
Regulatory Review by local government					
Marketing Coordination (Website, FB, POSM)					
Place Order					
Shipment					
Launch					

5 Year Projection

5 Year Projection

	Y2017	Y2018	Y2019	Y2020	Y2021
Volume (Tons)	18	220	280	360	460
YOY Growth		**1,122%**	**27%**	**29%**	**28%**
Value (USD$,000)	67	858	1,092	1,404	1,794
YOY Growth		**1,180%**	**27%**	**29%**	**28%**

* Base only on same product portfolio.


Thank You

EXW vs. CIF in Operation

	CIF		EXW	
	BLUE BUFFALO	CUSTOMER	BLUE BUFFALO	CUSTOMER
Health Certificate	x		x	
Invoice	x		x	
B/L	x		x	
Container Ordering	x			x
Container Loading	x		x*	
Vessel Booking	x			x
Inland Transportation Booking	x			x
Inland Transportation to Port	x			x
Cargo Declaration	x			x
Export Declaration	x			x
Ocean Fright	x			x
Marine Insurance	x			x
Export Duties	x			x

*Remark: Subject to arrangement agreed with customer