



A Financial and Operations Analysis of Universal Robina Corporation (URC)

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Abstract: Universal Robina Corporation (URC) is a subsidiary of JG Summit Holdings Incorporated and was established in 1954 by John Gokongwei. It is one of the leading conglomerates in the Philippines and is the largest branded consumer good and beverage product companies in the Philippines and this has spread out in the ASEAN markets, matured markets like in the US, Europe, the Middle East and frontier markets in West Africa, like Ghana and Nigeria. The products of URC are divided into 4 groups, BCFG-Philippines, BCFG-international, Argo-Industrial, and Commodity Foods. They have wide range of products from snack foods, beverages, and grocery goods. URC has manufacturing facilities in the Philippines and in other Asian countries as well and is also engaged in the production and distribution of animal feeds, glucose, soya products, flour, and sugar milling products. URC has 3 regional strong brands, Jack and Jill for snacks, Great Taste for coffee and C2 for ready to drink tea. URC is publicly listed in the Philippines stock exchange market with the PSE symbol, URC and has 2 billion outstanding shares listed in the PSE. The number of shares that are available to the public is 949 million shares while the rest are unlisted shares. The researchers aim to prove that this company is an ideal company to invest in. URC showed good financial reports and delivers successful implementations in their line of work. This paper would want to present the different data that would strengthen the credentials of the company as a successful entity.

Key Words: URC, conglomerate, PSE, snack foods

I. Section

A. Brief Background of Study

Universal Robina Corporation (URC) is one of the Philippines' pioneers in the consumer food and beverage product. The company has a significant and growing presence in the Asean market where its products are known and popular across the Asean region. URC had shown its market leadership in their quality products, wide distribution network and effective marketing and has successfully transformed the company globally since it started operations in the Philippines in 1954 to spreading its operations internationally in China, Thailand, Malaysia, Vietnam, Singapore, Hong Kong, and Indonesia. URC also exports their products in the United States, Europe, Japan, Korea, Middle East, Ghana and Nigeria. The study would show that Universal Robina Corporation

is a stable and successful company. It would also point out that investing in said corporation is worth it and would make the investment grow as shown by how the company grows through the years.

B. Describe Relevant Developments

Universal Robina Corporation is a well-known brand in convenience food and beverages in the Philippines and has helped shape the competitive standards in its industry. Its products are known in all parts of the country because of its performance in manufacturing, distribution and in its marketing strategies.

But not only is the URC a leading company in convenience food and beverages; it also ventured out in different industries by its different Agro-Industrial and Commodity Food Groups that engage in the production and



distribution of animal feeds and health products, poultry and hogs farming, as well as glucose and soya products and flour and sugar milling. One of these groups is Robichem, which is involved in the production and distribution of animal health products such as vaccines, water solubles, injectables, feeds supplements and disinfectants. Moreover, Robina Farms-Hogs breeds prime hogs, piglets and breeder stocks which farms are in Rizal, Novaliches, Bulacan and Batangas and maintains up to 15,500 sows. Robina Farms-Poultry produces day-old broiler and layer chicks in its farms in Cebu, Rizal and Bulacan whose facility capacity reaches 500,000 in numbers. Lastly, one of its Agro-Industrial groups is the Universal Corn Products (UCP), which is one of the leading producers in the animal feed industry. It likewise produces and sells glucose and soya products.

C. Objectives and Scope of Study

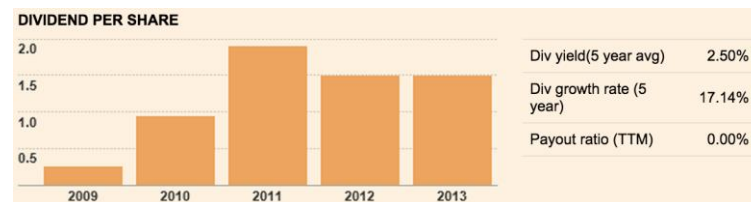
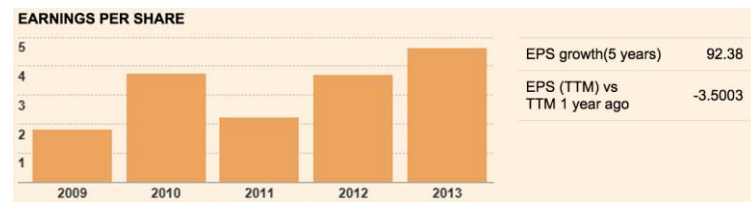
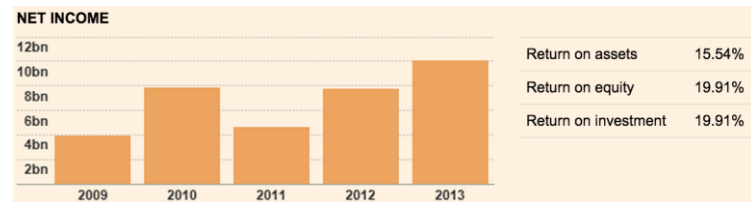
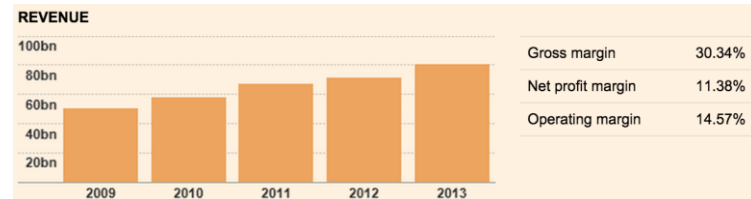
The objectives of this paper are to analyze the operational and financial performance of Universal Robina Corporation and to measure the profitability and stability of the company in order to show its worth for its various stockholders' investment. This paper will focus only on the Universal Robina Corporation and would not include the analysis of its mother company, JG Summit Holdings Inc. This paper would study the company's operations and efforts in maintaining its lead in their frontier industry, the commodity food and beverages as well as in its undertaking in other industries. This paper will also measure the financial performance of the company using the different annual reports and ratios to present its success and profitability.

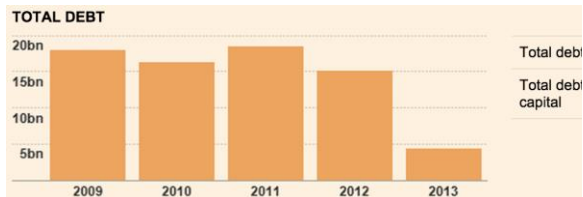
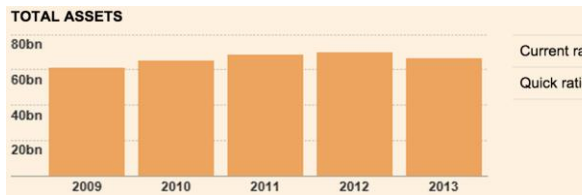
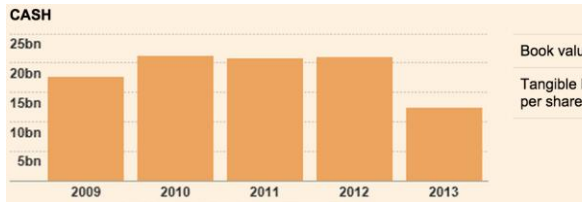
II. Methodology

A. Ratios

The attached report analyzes the financial condition of the Universal Robina Corporation in the years ended 2009, 2010, 2011, 2012, 2013. Year by year URC grew revenues 13.75% from 71.2 billion to 81 billion while net income improved 29.39% from 7.76 billion to 10.04 billion. Growth in dividends per share remained flat while earnings per share

excluding extraordinary items increased 24.35%. Moreover when measured on a five-year annual basis, dividend per share growth is in-line with the industry average relative to its peers, while earning per share growth is above the industry average. In 2013, URC increased its cash reserves by 125.10% or 6.9 billion. The company earned 11.62 billion from its operations for a cash flow margin of 14.35%. In addition to that, the company generated 9.95bn cash from investing, though they paid out 14.88 billion more in financing than they received. The company has a debt to total capital ratio of 8.51%.





B. Porter's 5 Forces

Among the 5 forces, rivalry among competing firms is the most existing threat for the Universal Robina Corporation due to increasing number of competitors. Food manufacturing, including food and beverage processing, remains the Philippines' most dominant primary industry and accounts for 40% of total manufacturing output. The industry contributes to 20% of GDP. The industry represents a gross added value of more than \$2 billion and the Philippines Bureau of Food and Drugs' statistical report lists approximately 12,000 food-processing establishments. The government has identified food processing as the priority sector to attract foreign investment and one of the top players in food industry is the URC.

C. SWOT Matrix

The SWOT analysis of Universal Robina Corporation, one of the largest branded food producing companies in the Philippines, generally focuses on its strengths, weaknesses, opportunities for improvement and threats to the company. Strengths include its strong market position. Weaknesses include its weak operational performance of in the foreign segment. Opportunities for improvement involve growing ready to drink tea market in

Philippines. Threats to the company involve over capacity and fierce competitor in the Philippines flour industry.

III. Results and Discussions

Studying the company's financial history, researchers has found that through out the years, this company continues to grow and further develops itself to becoming a successful entity. According to the research done, URC has grown 23.13% in its gross profits compared to its prior year. Also, it has increased its inventory by 42.86%. Although its receivables has decreased and has become -0.96% and capital expenditures has increased by 1.31%, its total revenue still has increased by 14.16% showing the company still being stable in its growth. It can be seen that compared to the industry average range, URC has 12.41% return on assets, 14.89% return in capital and 20.09% return in equity. Investing Business Week (2014) identified URC as the company that was able to cut its cost of good sold in order to generate more profit for themselves. It continues to increase their revenues from \$71.2 billion to \$81.0 billion. It can easily be said that investing in this entity is beneficial to the investor. Because of the company's performance through the years, an investor can be secured in investing since he has a guarantee that it shall receive more money in dividends and in capital appreciation. It can be assured that URC is stable and will not go bankrupt. The researchers also looked at the possible effects to the company once competitors come in 2015. URC has declared itself ready for the competition when the time comes. Since it knows that demand for their products is high in other countries such as Vietnam, and it chose to expand their company to produce more branches. Also it looks for a collaborative effort, rather than seeing the ASEAN 2015 as a problem to avoid.

IV. Conclusion

URC's financial and operational capabilities and its development in one of the most well respected and profitable company in the Philippines. It is clear that URC is a stable company and that it would continue to grow and become more diverse because of it's strong



foundation and qualities as a company.

V. Acknowledgements

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