

# Corporate Presentation

February 2018





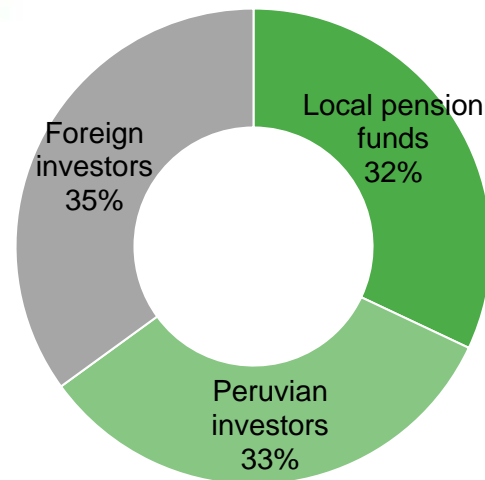
# Company Overview



# HIGHLIGHTS

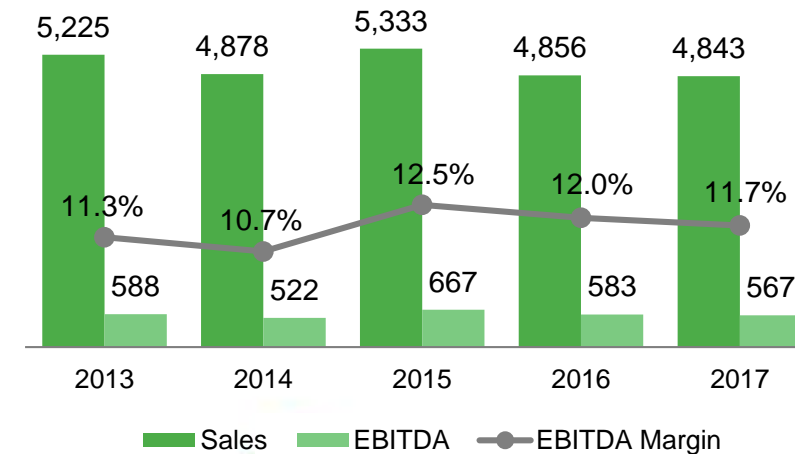
- Established in Peru in 1922
- 95 years of business, 75 years of alliance with CAT currently operating 17 companies within 10 countries employing a workforce of +6,000 employees
- Key facts
  - 60% Caterpillar Market Share
  - Market cap (Feb-2018) ~\$770MM
  - Shareholders +2,500

## SHAREHOLDER STRUCTURE

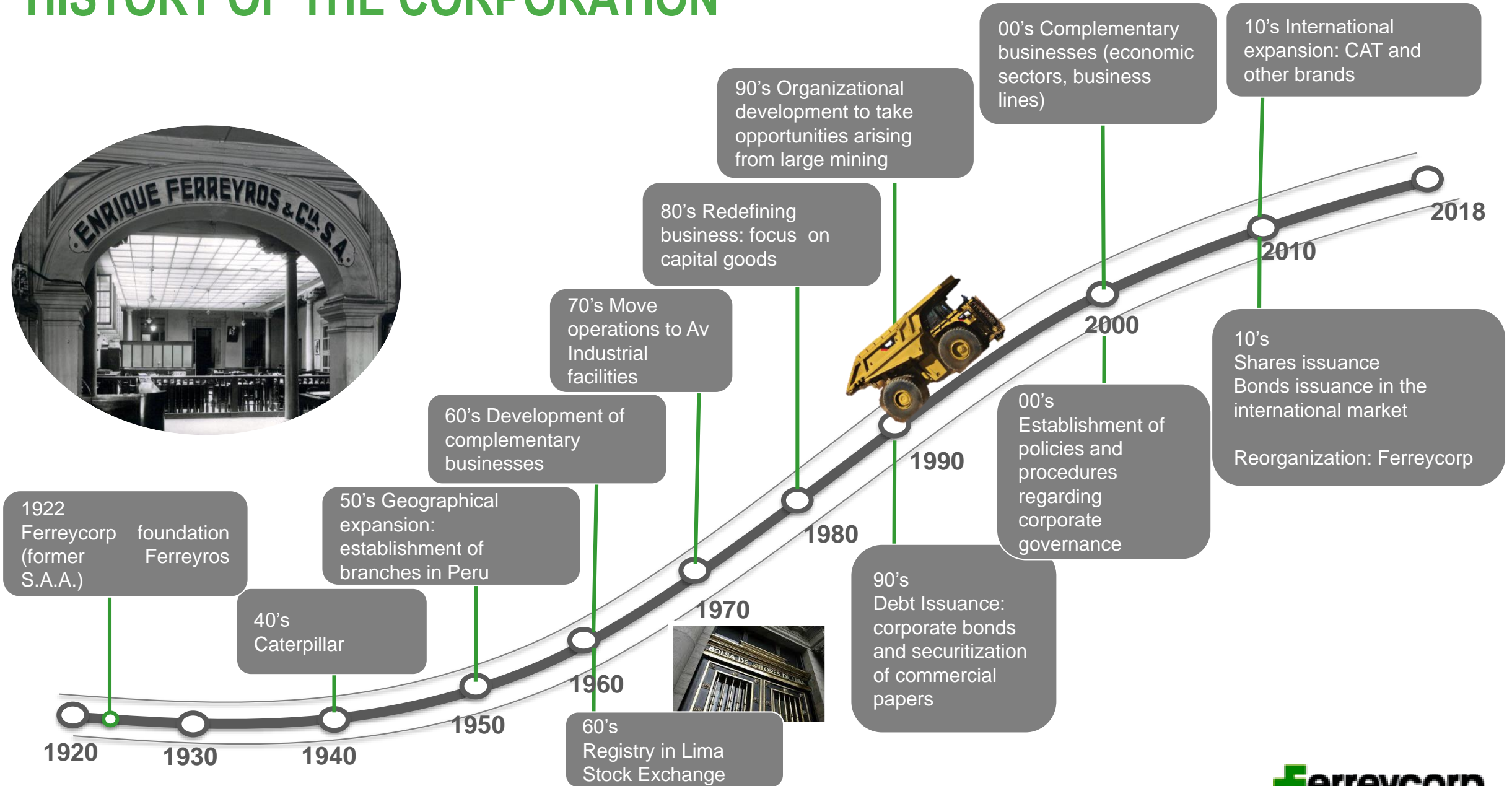


## CONSISTENT FINANCIAL PERFORMANCE

(S/. Million)



# HISTORY OF THE CORPORATION



# CORPORATE STRUCTURE



BVL: FERREYC1

## Caterpillar dealers and allied brands in Peru



## Caterpillar dealers and other businesses in Central America



Guatemala



El Salvador



Belice



Nicaragua



El Salvador, Honduras

## Other subsidiaries in Peru and abroad



una empresa Ferreycorp



UNA EMPRESA FERREYCORP

Chile, Colombia, Ecuador, Perú



UNA EMPRESA FERREYCORP



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UNA EMPRESA FERREYCORP



UNA EMPRESA FERREYCORP



UNA EMPRESA FERREYCORP



# FERREYCORP AT A GLANCE



As of Dec 2017  
(S/. Million)

Caterpillar dealers and  
allied brands in Peru

Caterpillar dealers and other  
businesses in Central America

Other subsidiaries in  
Peru and abroad

Sales

3,598

461

785

% of Total Sales

74%

10%

16%

EBITDA

475

40

8

% of Total EBITDA

91%

7.6%

1.5%

EBITDA Margin

13%

9%

1%

# of Employees

4,396

842

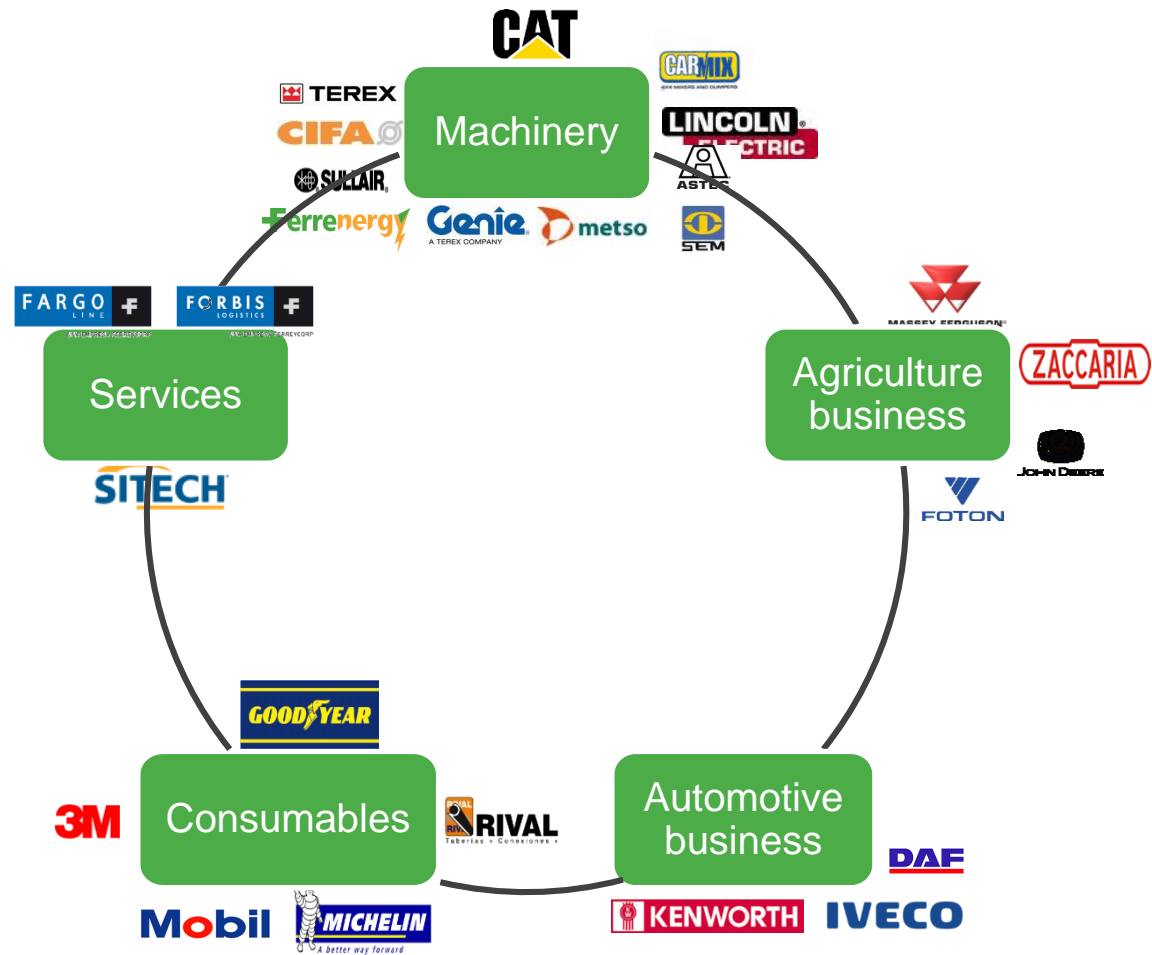
1,127

(\*) Third group of companies increasing their share in total sales: 2013 (10%), 2014 (11%), 2015 (12%), 2016 (15%) – as a result of diversification strategy through complementary businesses



# STRATEGY

## COMPLETE VALUE PROPOSITION





# Key Capabilities



# KEY CAPABILITIES



Long term strategic partnerships

Market coverage

Unmatched supply chain and logistics capabilities

Financial strength and funding sources

In-depth market knowledge

Innovation and Technology

Ethics and compliance, Corporate Governance and Sustainability

# PRESENCE IN SOUTH AND CENTRAL AMERICA REPRESENTING LEADER BRANDS



# MARKET COVERAGE



- F** Ferreyros: 6 locations in Lima, 17 branches and offices
- U** Unimaq: main location in Lima and 8 branches in Piura, Cajamarca, Lambayeque, Trujillo, Huancayo, Arequipa, Cusco e Ilo. 3 Offices in Cerro de Pasco, Andahuaylas and Ayacucho
- O** Orvisa: main office in Iquitos and 2 branches in Pucallpa and Tarapoto. 4 Offices in Huánuco, Bagua, Jaén and Madre de Dios
- M** Motored: 2 locations in Lima and 3 branches in Arequipa, Trujillo and Cajamarca
- S** Soltrak: main location in Lima and 7 branches in Talara, Trujillo, Arequipa, Huancayo, Huánuco, Pucallpa and Loreto
- MINING, CONSTRUCTION AND ENERGY PROJECTS

# UNMATCHED LOGISTICS CAPABILITIES



**890,000 m2**

TO SERVE OUR CUSTOMERS

**170+**

POINTS OF CONTACT

**US\$120M**

INVENTORY OF PARTS

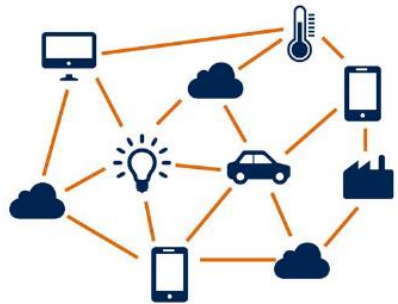
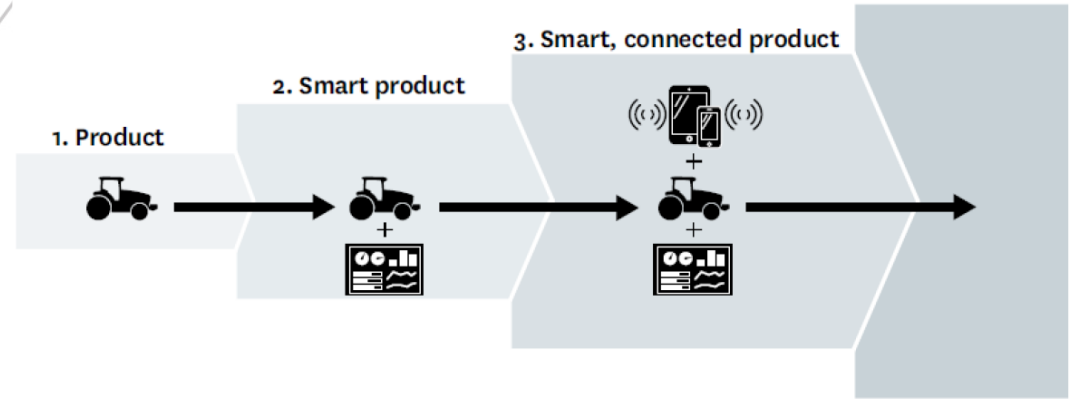
**365 DAYS**

24x7 OPERATIONS

- 50+ warehouses, several located in remote locations (eg: mines)
- 7,000 yearly trips to reach our customers
- Importing 530,000 ft<sup>3</sup> per month
- Highest standards in operations and transportation partners

- ISO9002 certification
- ISO 14000 certification
- 5-star contamination control

# INNOVATION AND TECHNOLOGY



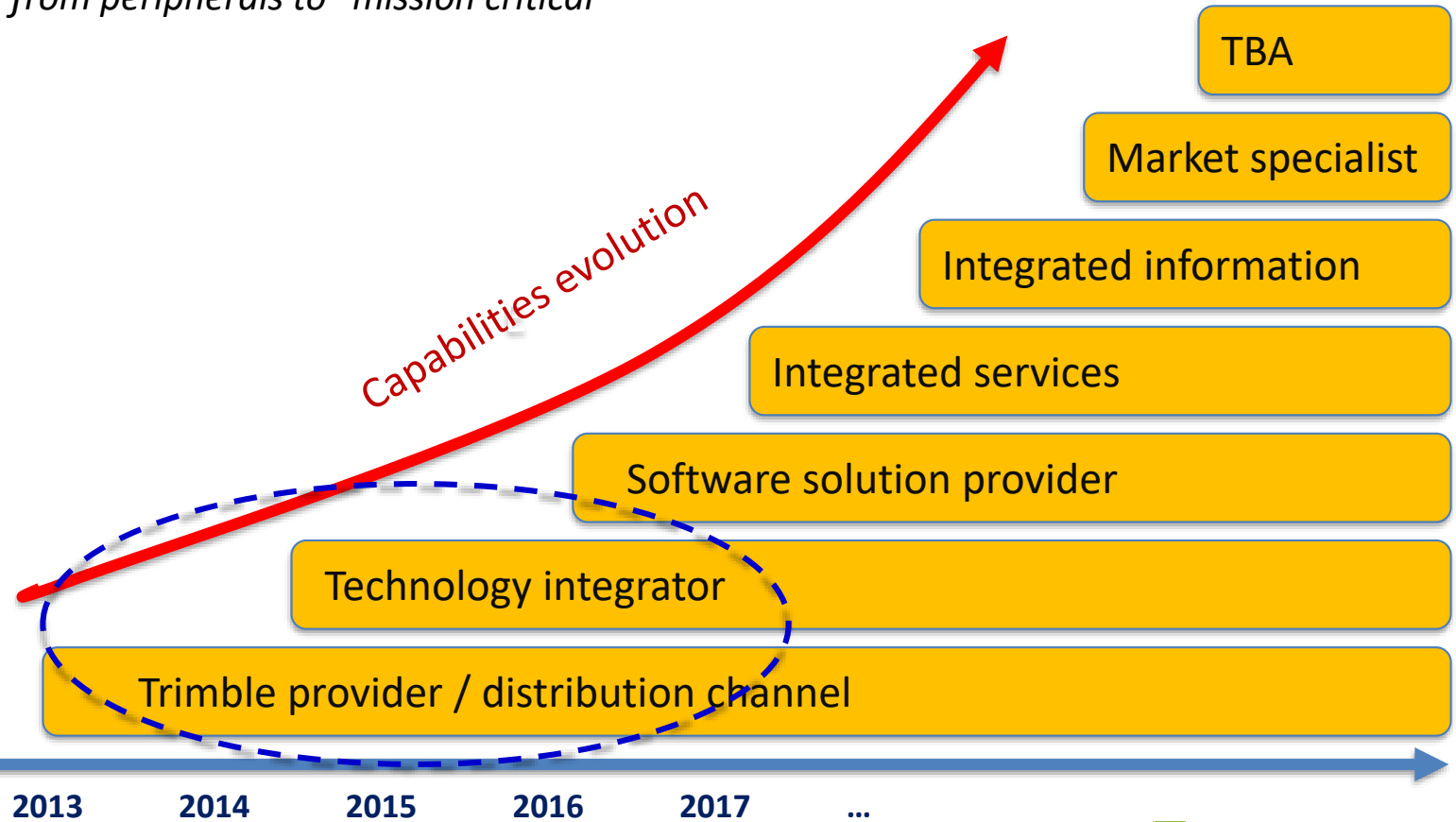
Value creation

*The journey:  
from peripherals to "mission critical"*

*Capabilities evolution*

*Challenge: To make the most out of the different emerging technologies and apply it to value creation*

*RFID, Big data, data mining, machine learning, autonomous operations, business intelligence, internet of things, etc.*



# INNOVATION AND TECHNOLOGY



**Construction**

**Airware**

**PTM** PULSE TerraMetrix

**TITAN 3330**  
PRODUCTION MONITOR

**Trimble**

**LOADRITE**

**AMT**  
by Runge Pincock Minarco

**MISOM**  
TECHNOLOGIES

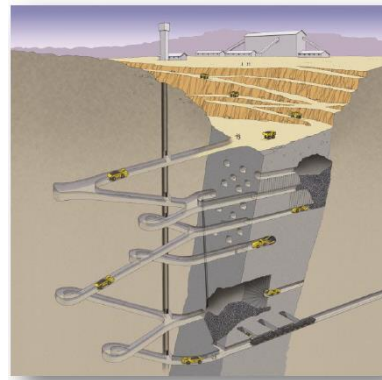
**DSS MINING**

**MINE SITE**  
TECHNOLOGIES

**FLUIDMESH**  
NETWORKS

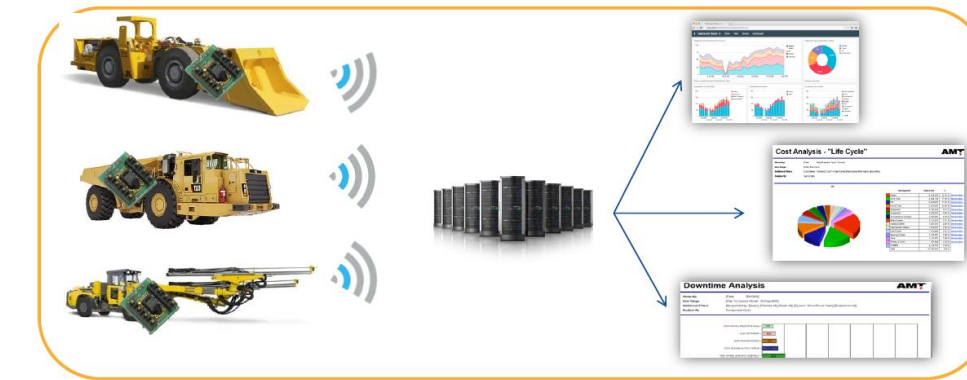
**DSS FLEET**

**Surface mining**



**Underground mining**

**Transportation**



**erreycorp**

# SUSTAINABILITY STAKEHOLDERS

## Community

- ✓ Ferreycorp Program for Professional Development - Ferreycorp Association
- ✓ Heavy Machinery Operators Club
- ✓ Think Big Program
- ✓ Works for taxes
- ✓ Corporate volunteering

## Customers

- ✓ Mutually beneficial and long-term relationships.
- ✓ Wide range of products and services with the highest added value for customers
- ✓ Excellence in after sales service
- ✓ Proactive monitoring of the customers experiences
- ✓ Complaints management

## Government and society

- ✓ Ferreycorp is a member of the United Nations Global Compact Network
- ✓ Every year, the Corporation published a Progress Report about actions implemented consistently with subjects included in the ten principles of the UN Compact Network

## Suppliers

- ✓ Hiring policy: transparency and fair treatment
- ✓ Select suppliers based on: quality of product or service, price, delivery terms, human resources policies and practices, occupational health and safety programs.
- ✓ Formalization and development of local suppliers

## Environment

- ✓ Standard Environmental Management System based on the ISO 14001 standard
- ✓ Comprehensive Policy on Health, Safety and the Environment
- ✓ Environmental Management Programs: planning, training and awareness, operational control and verification.

## Employees

- ✓ Health, safety and working conditions
- ✓ Professional development
- ✓ Diversity and inclusion
- ✓ Compliance with labor norms
- ✓ Personal and family development

## Shareholders

- ✓ Principles of Good Corporate Governance
- ✓ Respect of Shareholders' rights
- ✓ Transparent and timely reporting
- ✓ Efficient representation with our Board of Directors

# CORPORATE STANDARDS

## STRONG CORPORATE GOVERNANCE

- Ferreycorp (FERREYC1) is listed in the Lima Stock Exchange since 1962.
- Ferreycorp is included in the Corporate Governance Index of the Lima Stock Exchange since its inception in 2008.



### Board of Directors:

- **The last General Annual Meeting agreed to reduce the board members from 10 to 9 members.**
- The Board of Directors of Ferreycorp is complemented by three committees: LEAD BY INDEPENDENT DIRECTORS
  - ✓ Nominations, Remuneration, Corporate Governance and Sustainability Committee
  - ✓ Audit and Risk Committee
  - ✓ Innovation and Systems Committee



### Composition of the Board:

#### Independent Directors

- ✓ Jorge Ganoza
- ✓ Humberto Nadal
- ✓ Gustavo Noriega
- ✓ Javier Otero

#### Dependent Directors

- Oscar Espinosa
- Carlos Ferreyros
- Juan Manuel Peña
- Andreas von Wedemeyer
- Manuel Bustamante

### Recognitions

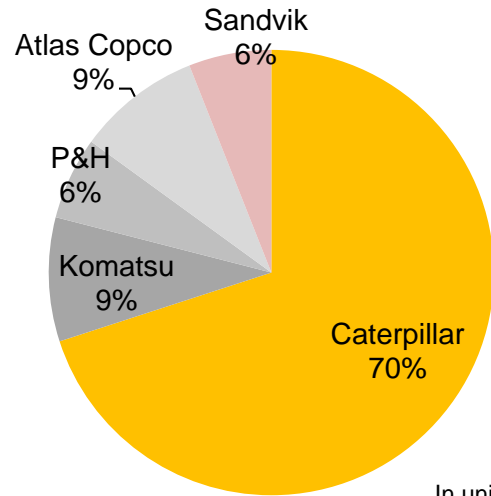
- Key of the Lima Stock Exchange: 2008, 2011, 2012, 2013 and 2017.
- Member of the Companies Circle of the Latin America launched by OECD and IFC
- **International recognitions:** World Finance Award 2011 and 2012; Latin America Investor Relations Awards 2011 (LirA'11), Ethical Boardroom Corporate Governance Awards 2015: South America, Industrial services sector, Dow Jones Sustainability Index (2017)





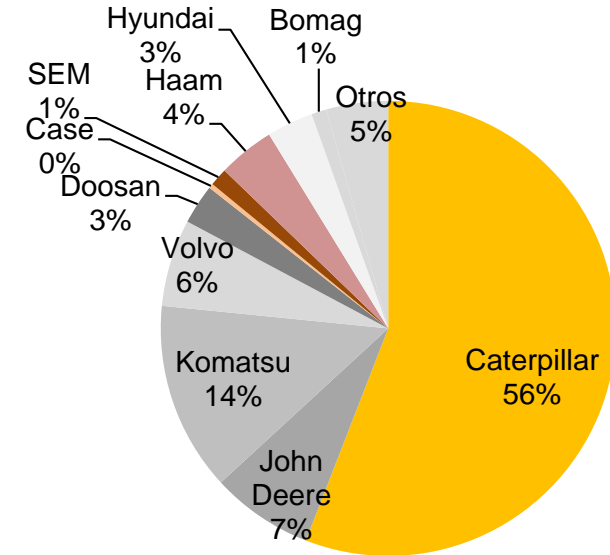
# CATERPILLAR MARKET SHARE IN PERU

## Open pit mining



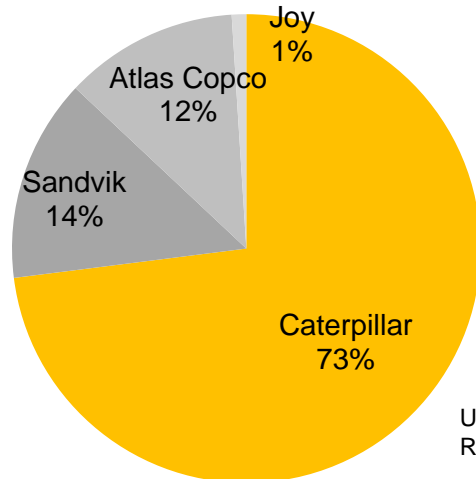
In units Rolling 12 mo, Dic'17

## Heavy Construction



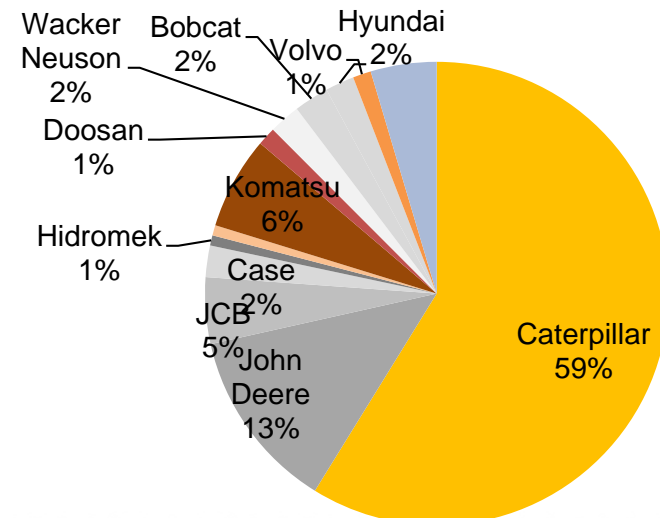
US\$ FOB Values  
Rolling 12 mo Dec'17

## Underground Mining



US\$ FOB Values  
Rolling 12 mo Dic'17

## General Construction



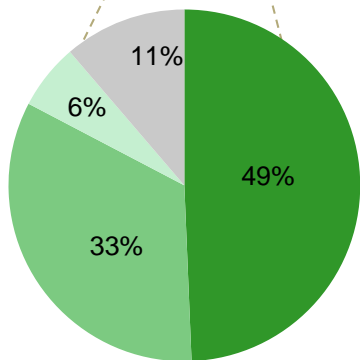
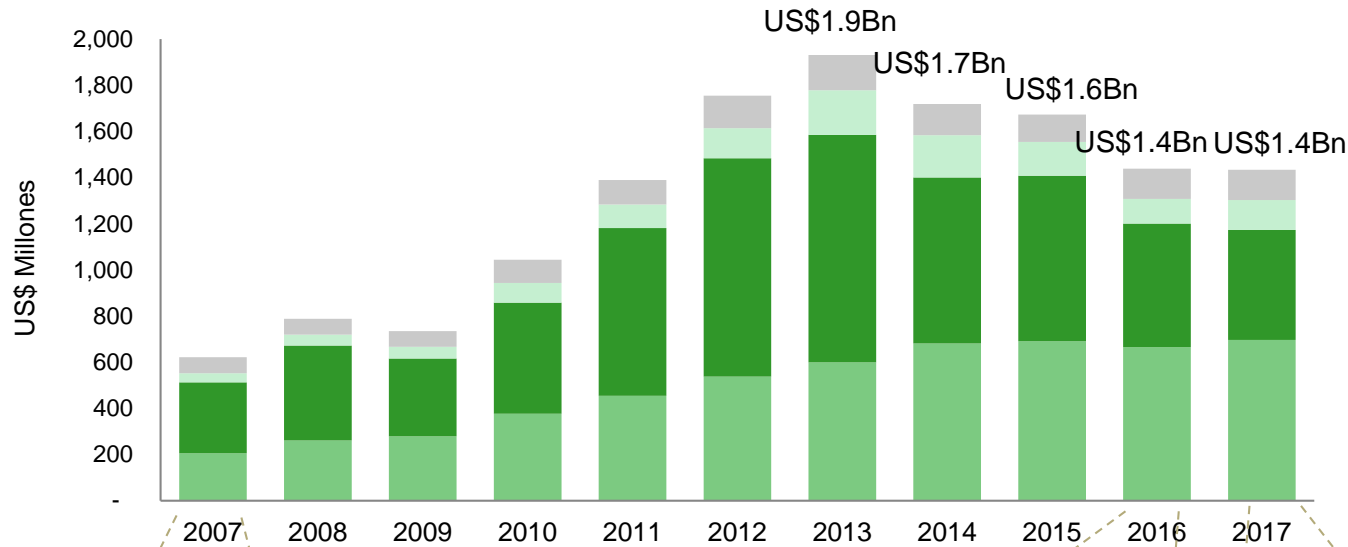
US\$ FOB Values  
Rolling 12 mo Dec'17



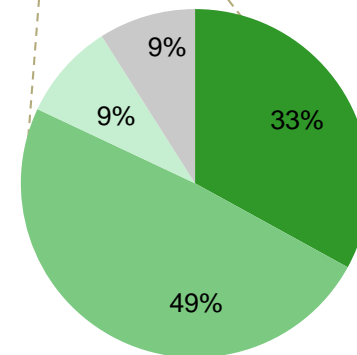
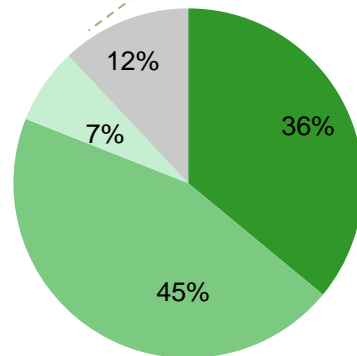
# Financial Performance

# SUSTAINABLE BUSINESS MODEL

SALES BY LINE OF BUSINESS



- Machines
- Spares and services
- Rental and used
- Others

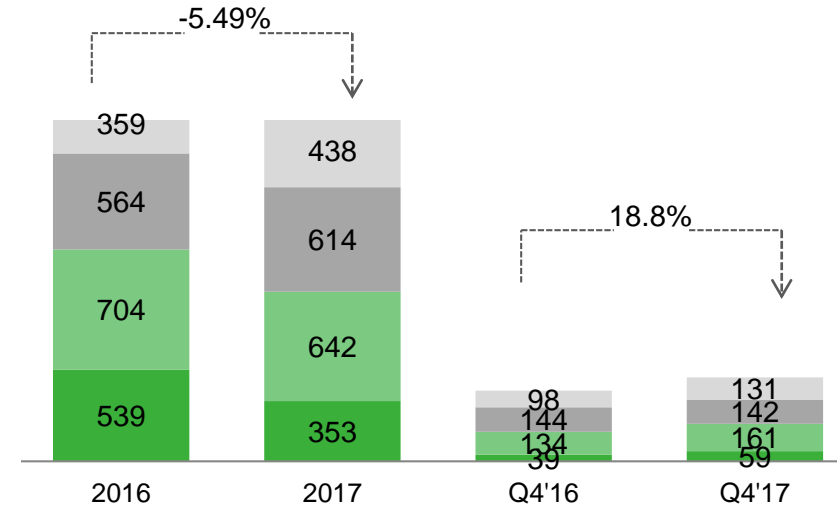
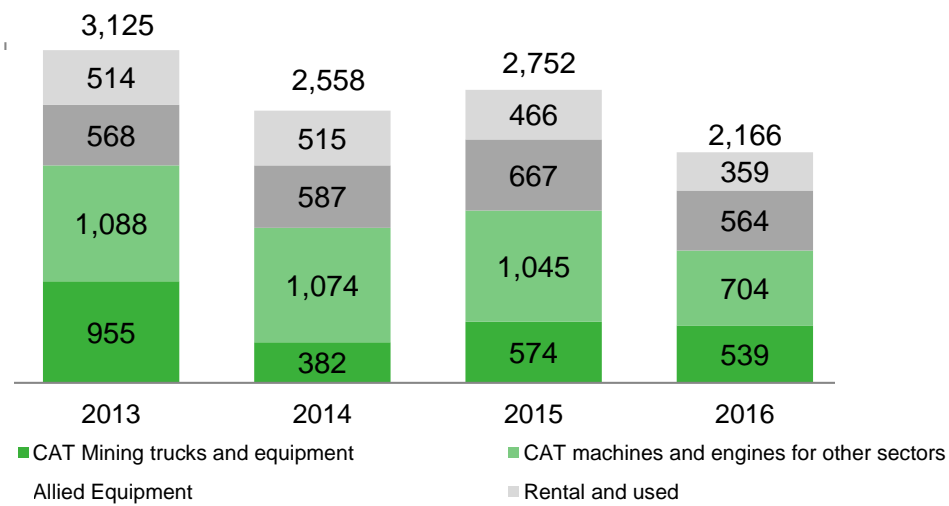


- In a context of poor momentum in mining investment and delayed infrastructure projects
- Resilient business model
- Stable product support business
- Diversification strategy through business lines, presence in different economic sectors, different countries, various represented brands and a diversified portfolio of products.

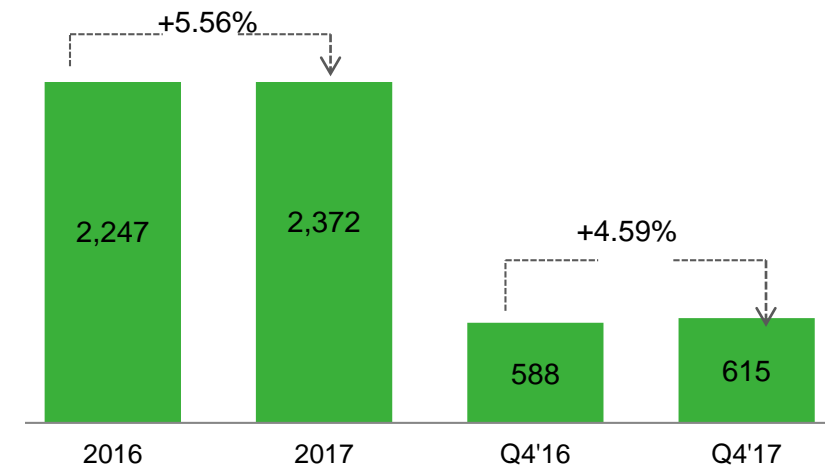
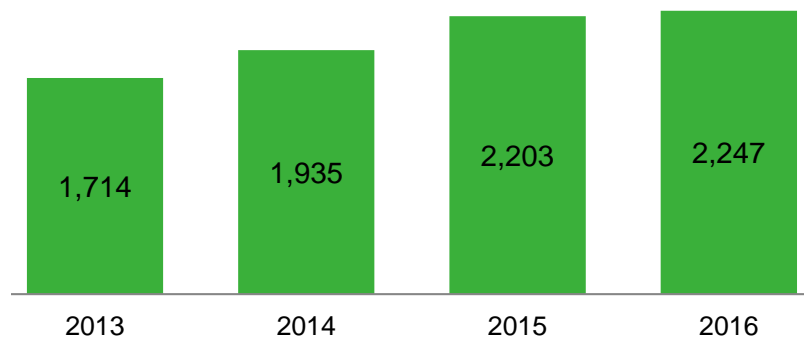
# OPERATIONAL RESULTS

Million Soles (S/ mm)

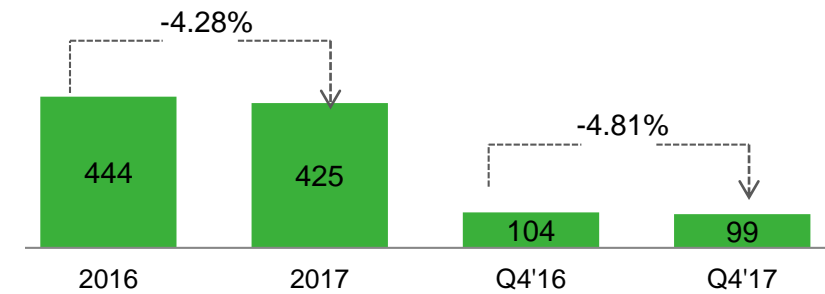
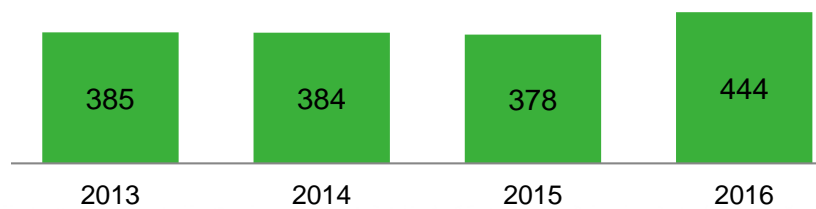
## MACHINERY



## SPARE PARTS AND SERVICES



## OTHER LINES

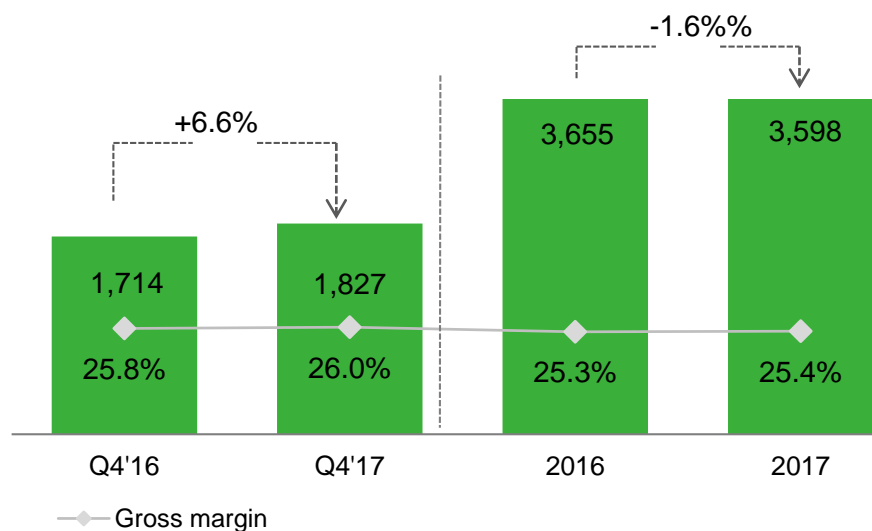


# SALES BY GROUP OF COMPANIES

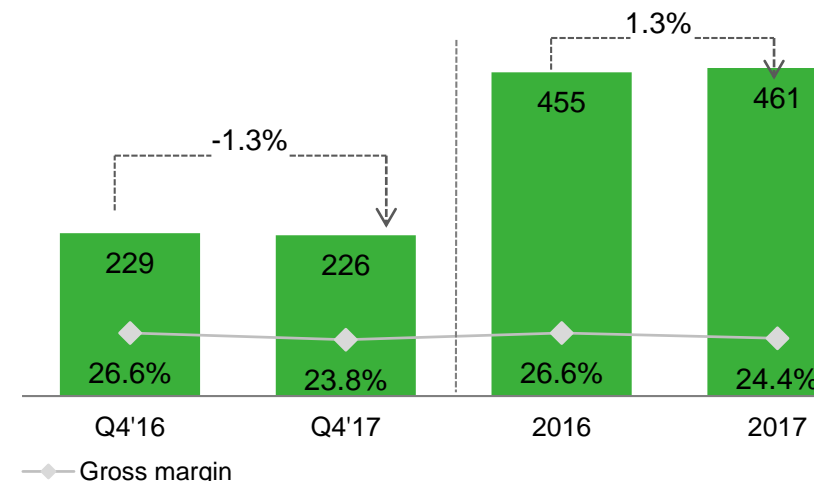
Million Soles (S/ mm)

- Caterpillar dealers in Peru (74% of total sales): +6.6% driven by spare parts and services (62% of total revenues) and Ferreyros mining equipment (+52%)
- The companies that carry Caterpillar business and other allied lines in Central America (10% of total sales): 1.3% affected by less activity in economic sectors driven by political issues
- The local subsidiaries and businesses abroad that complement the Caterpillar's business (16% of total revenues): -4.2%

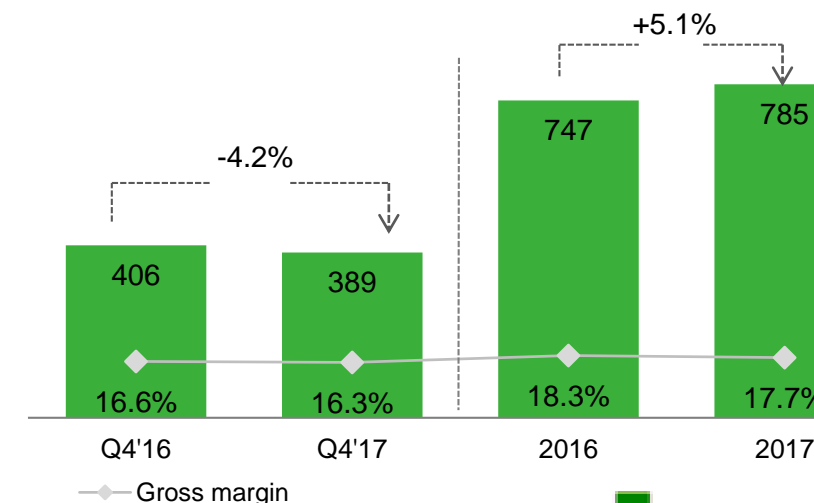
CAT dealers and allied brands in Peru



CAT dealers and other businesses in CA



Other subsidiaries in Peru and abroad



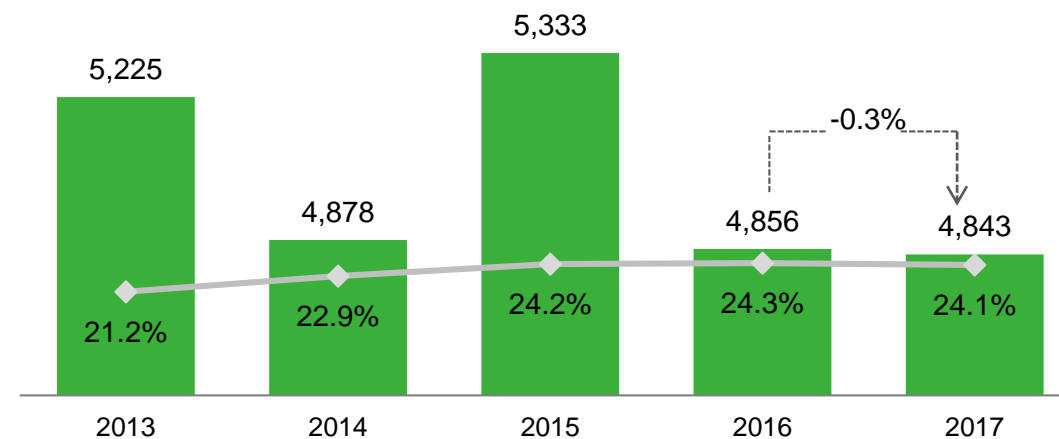
# CONSOLIDATED FINANCIAL RESULTS

Million Soles (S/ mm)

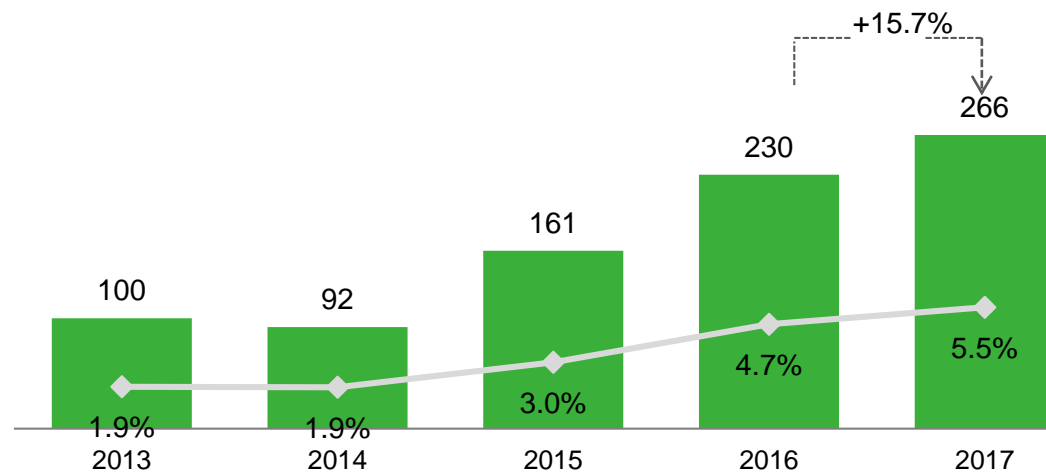
## HIGHLIGHTS

- Resilient business model
- Successful execution of operational priorities
- Consistent EBITDA generation and margin
- Strong free cash flow generation

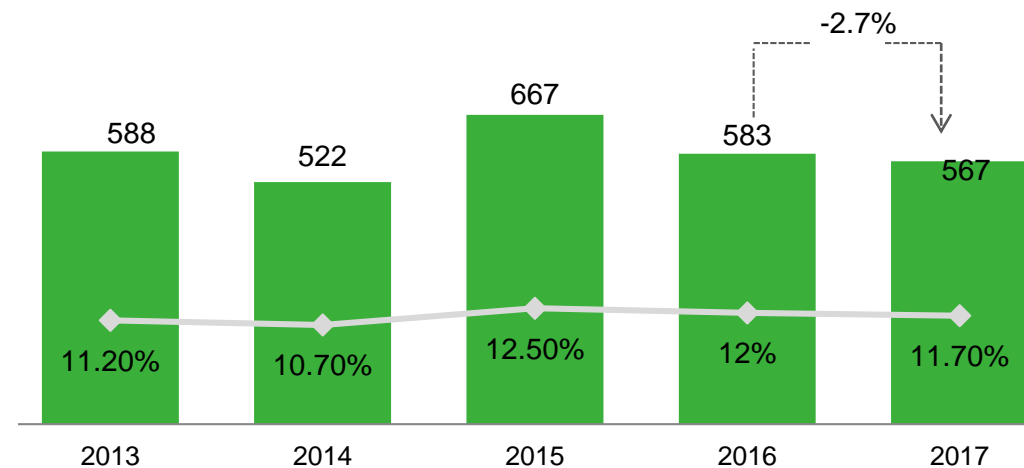
## SALES AND GROSS MARGIN



## NET PROFIT AND NET MARGIN



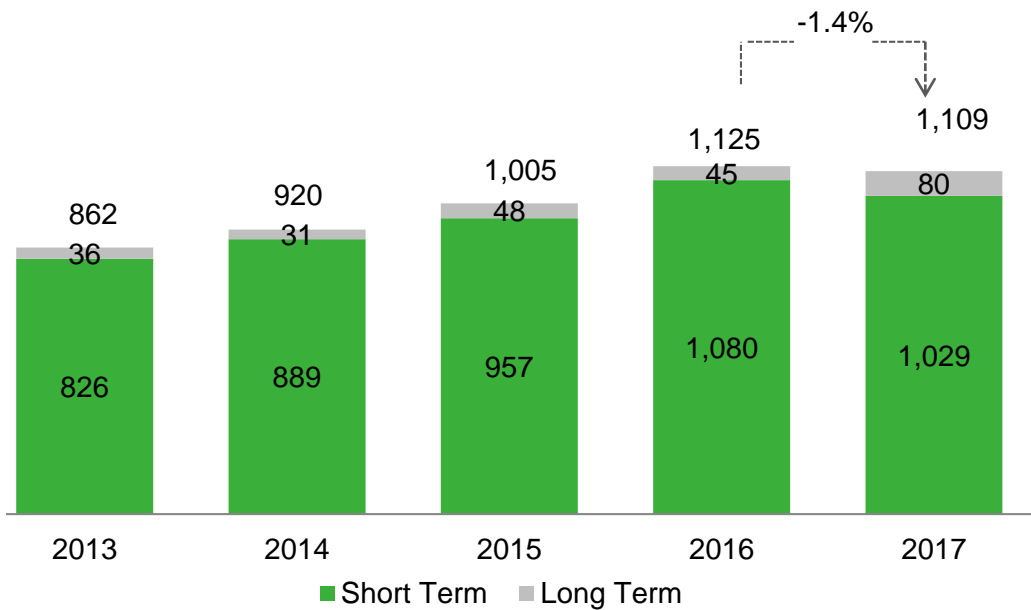
## EBITDA AND EBITDA MARGIN



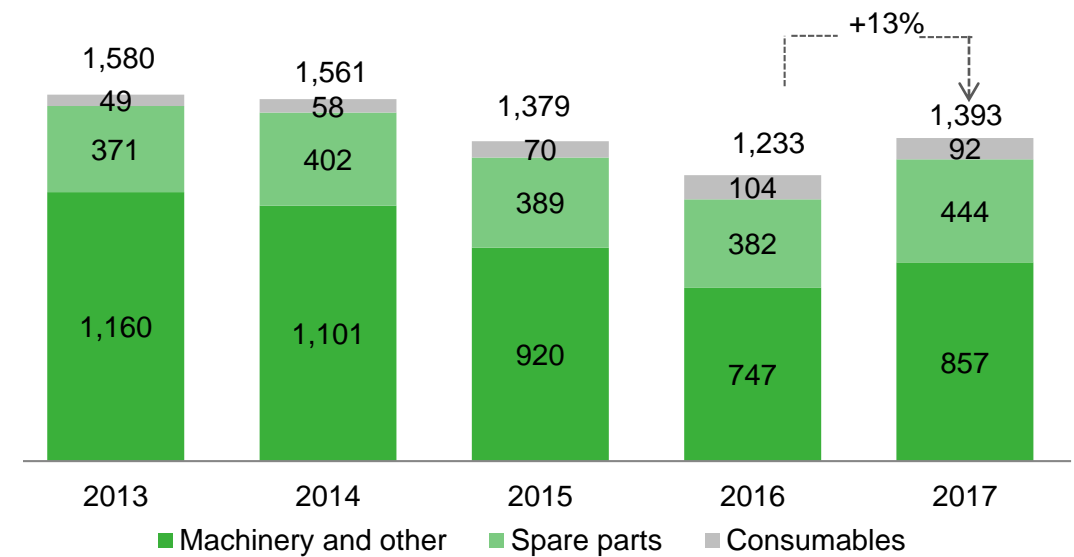
# INVESTMENT IN ASSETS

Million Soles (S/ mm)

## ACCOUNTS RECEIVABLES EVOLUTION



## INVENTORY EVOLUTION

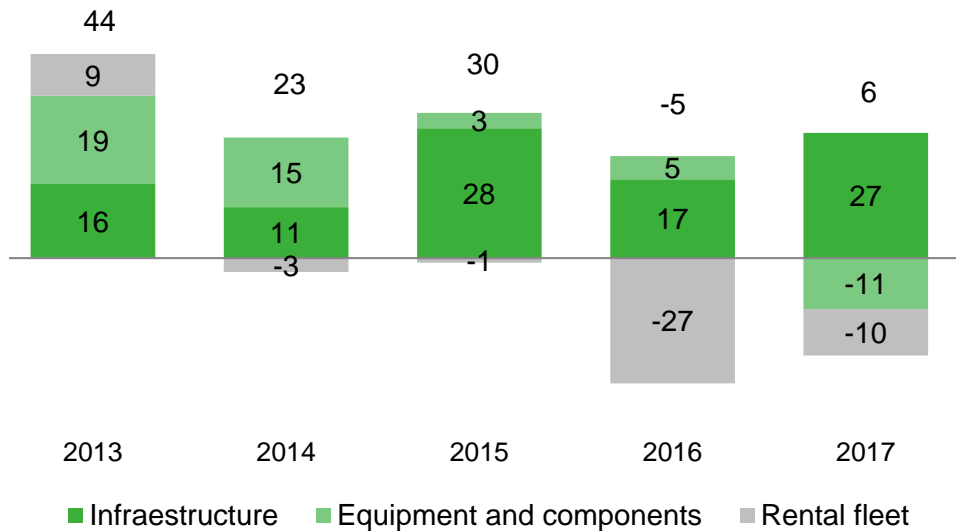


- Common practice, 30days for collection once invoice is delivered to customer.
- Accounts receivables affected by mining equipment invoicing during the second quarter.

# INVESTMENT IN ASSETS

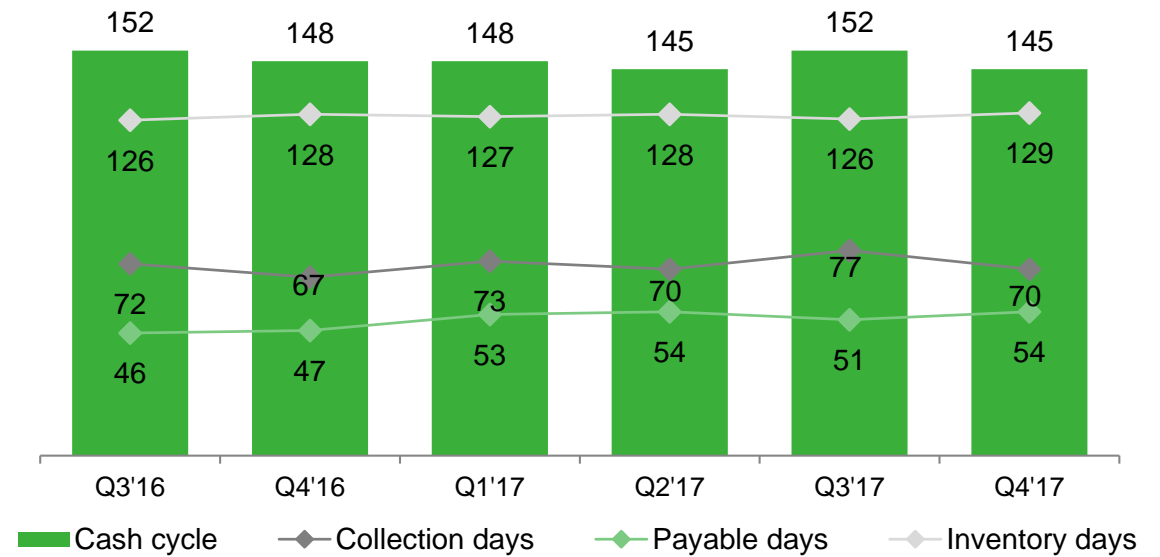
Million Dollars (US\$ mm)

## CAPEX EVOLUTION



- 2016 CAPEX results negative due to the reduction of the rental fleet. Infrastructure includes mainly the purchase of a piece of land in La Joya (Arequipa) by Ferreyros and works that are being executed in some subsidiaries.
- 2017 CAPEX: infrastructure and equipment executed in the new CRC in Arequipa.

## CASH CYCLE



### Targets:

Inventory  
120 days  
3.0x

Payable  
45 days

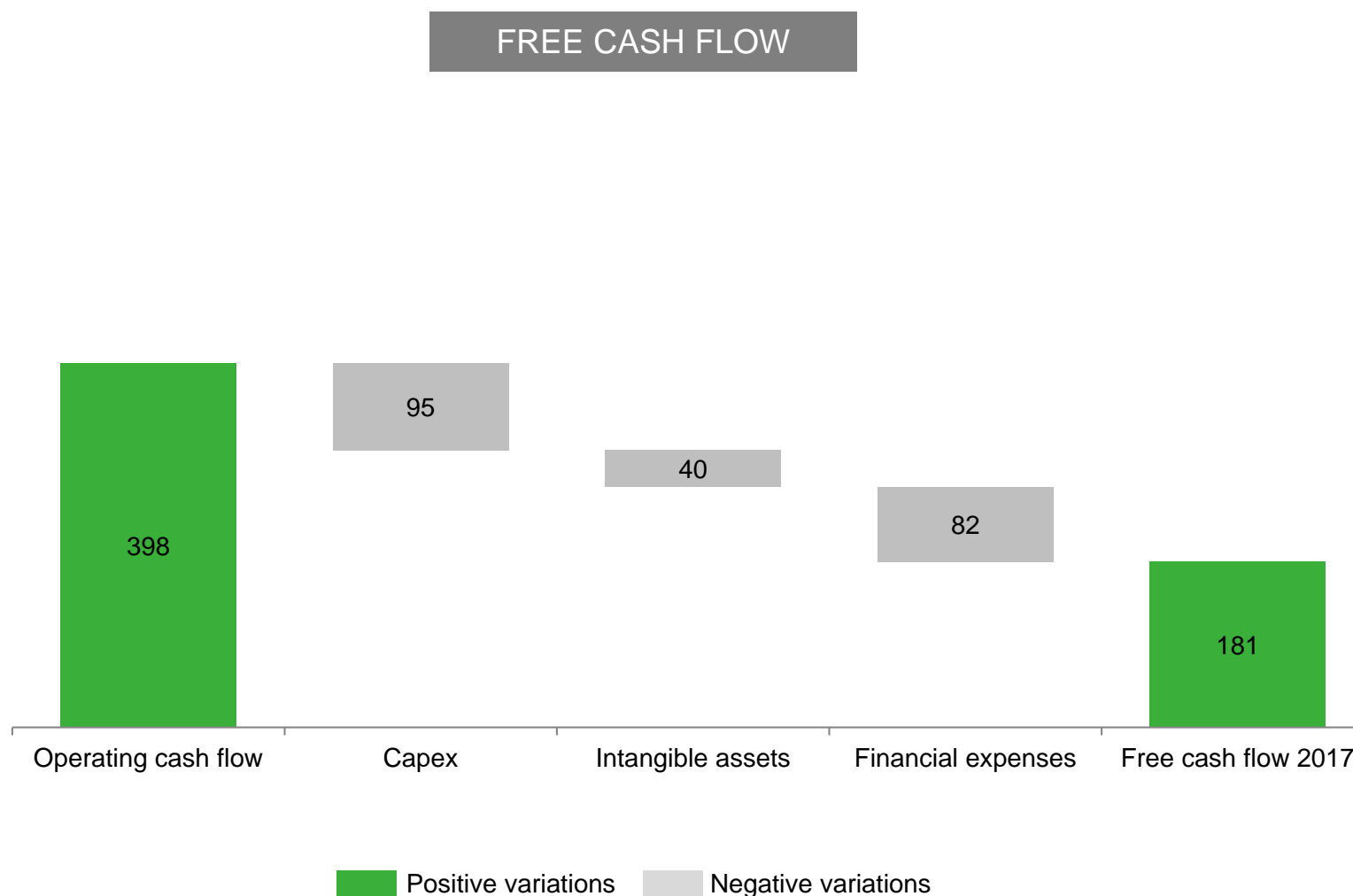
Receivables  
45-60 days



# CASH FLOW

Million Soles (S/ mm)

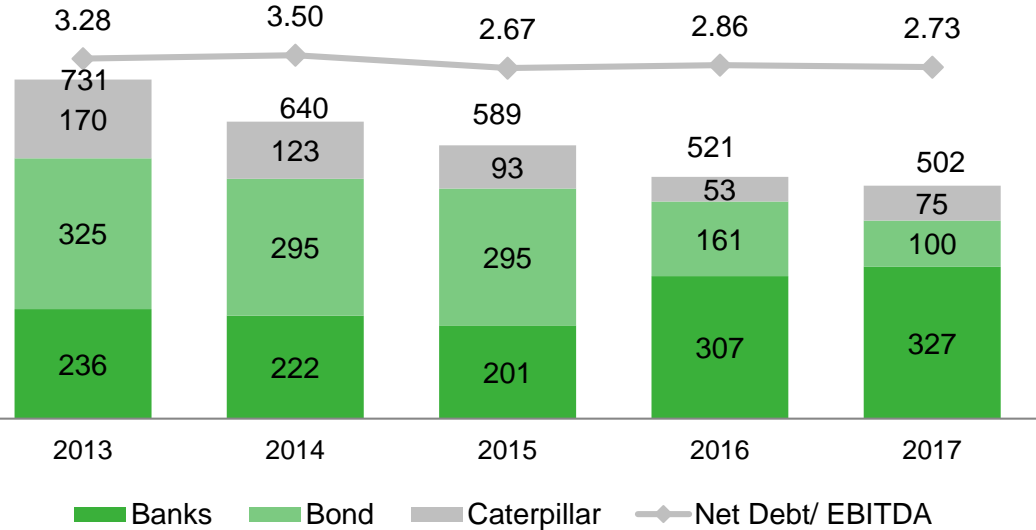
## FREE CASH FLOW



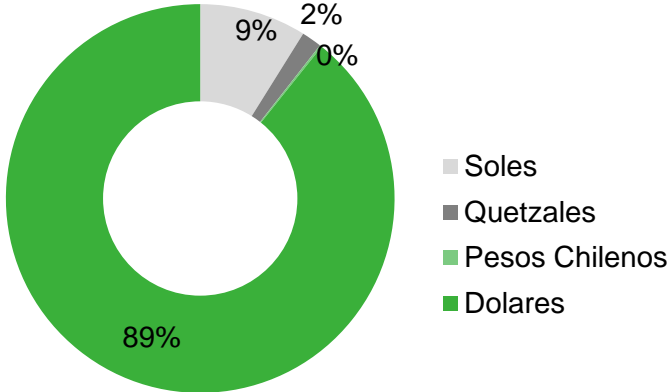
# CONSOLIDATED FINANCIAL DEBT

Million Dollars(\$/ mm)

## DIVERSIFIED FUNDING BASE

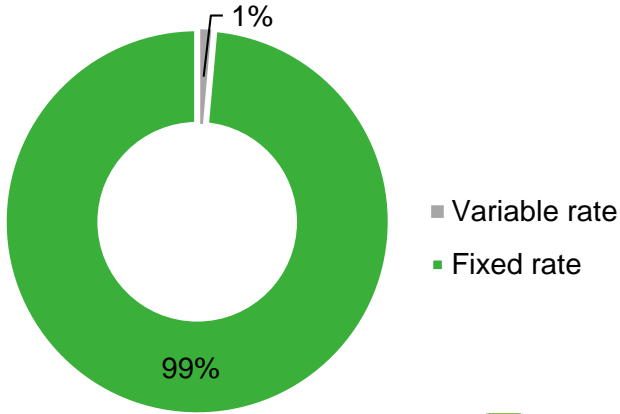


## DEBT BY CURRENCY



- Natural hedge: revenue-debt

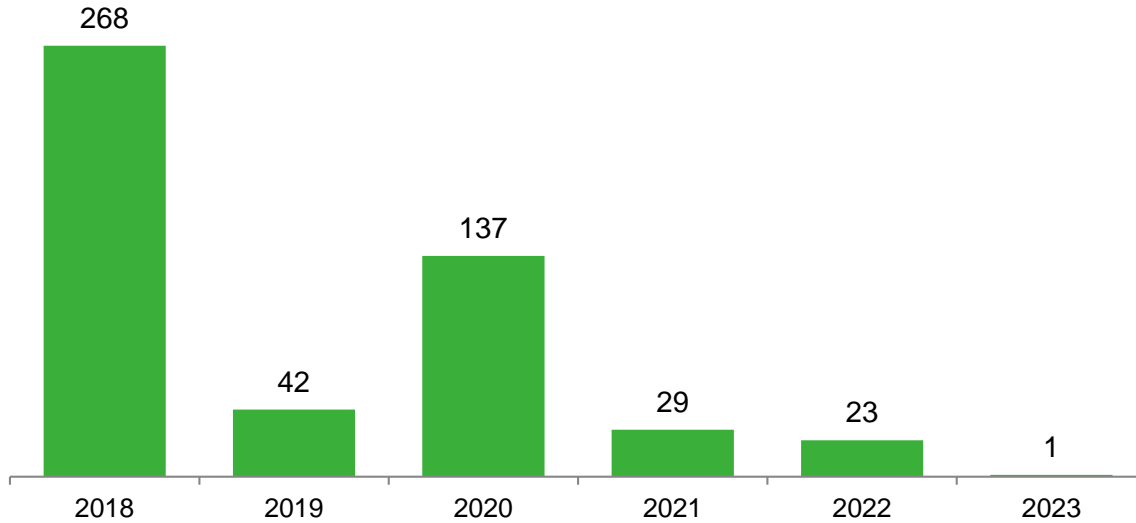
## DEBT BY RATE



# CONSOLIDATED FINANCIAL DEBT

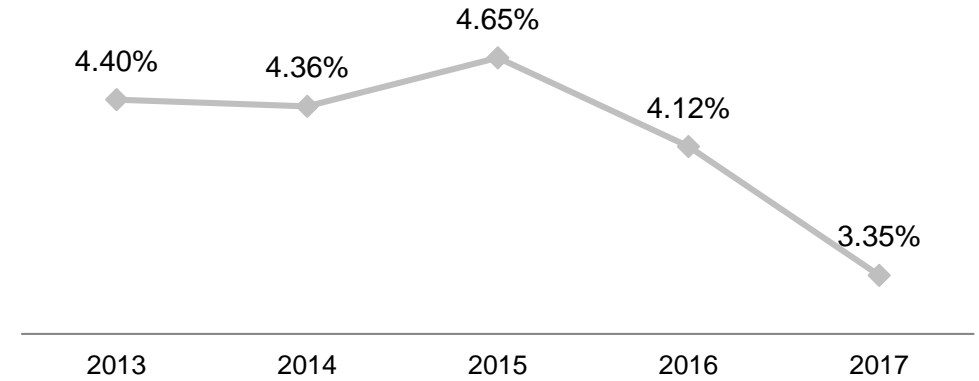
Million Dollars(S/ mm)

## DEBT MATURITY



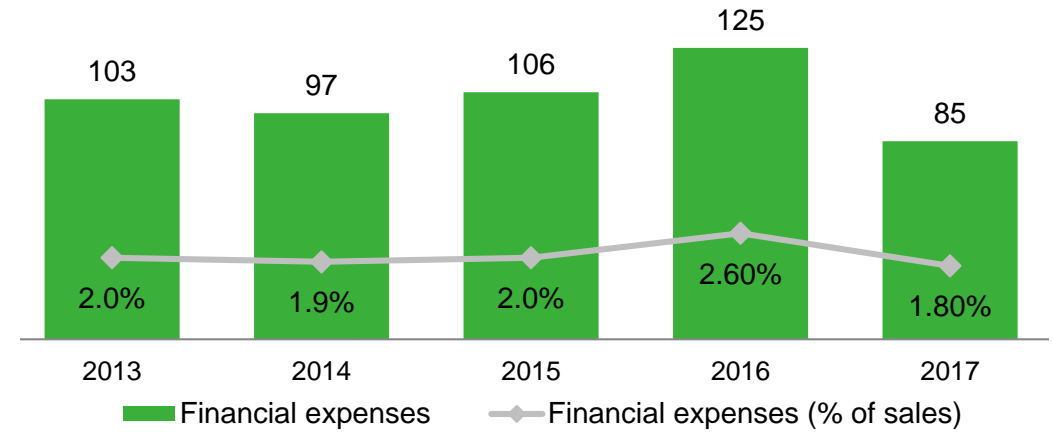
- Strategy of financing: short term, flexible without penalties and low interest rate. Availability of credit lines

## AVG COST OF DEBT



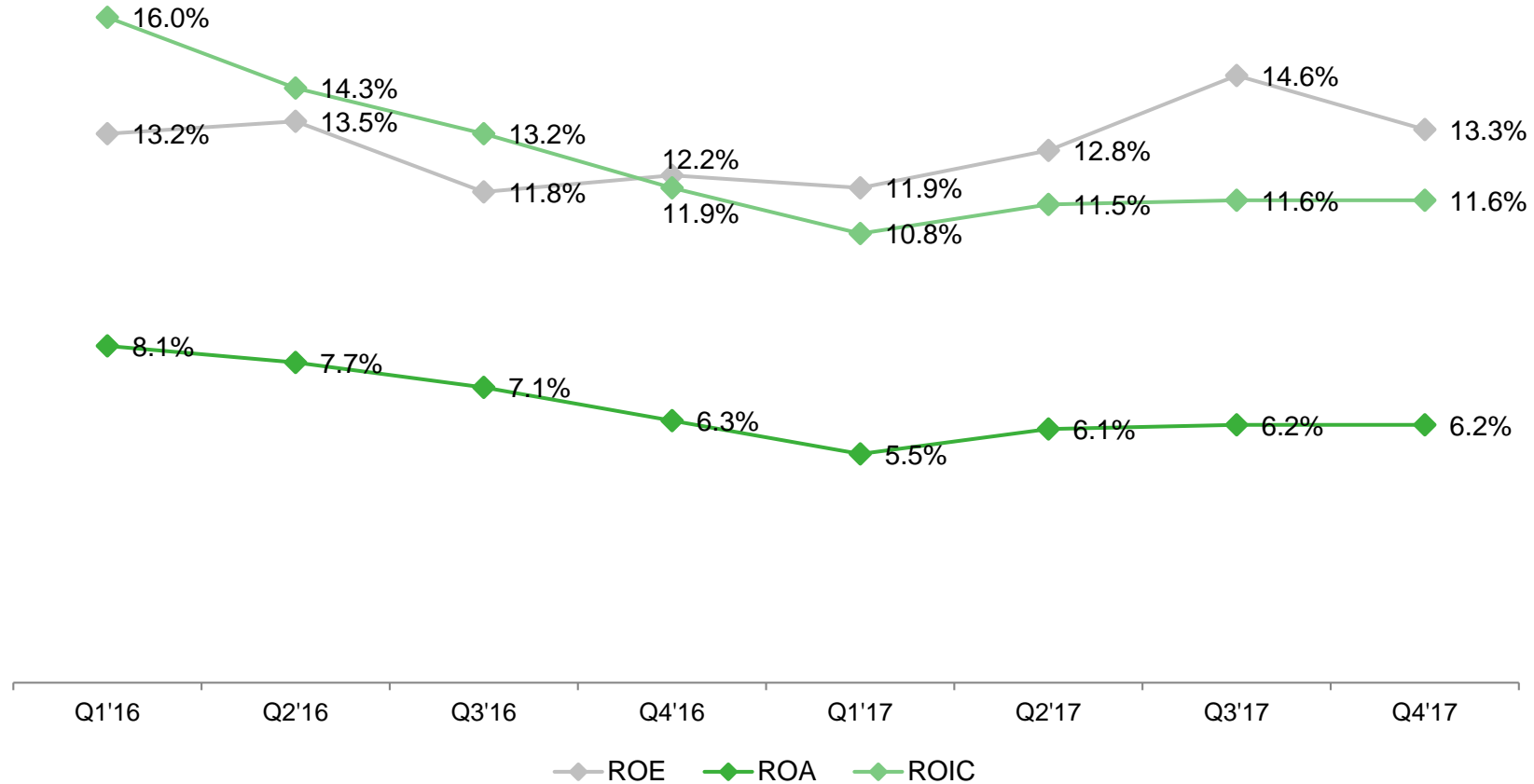
## FINANCIAL EXPENSES

Million Soles S/ mm)



- 2017: Financial expenses affected by S/ 4.9 million premium for International Bond partial call.

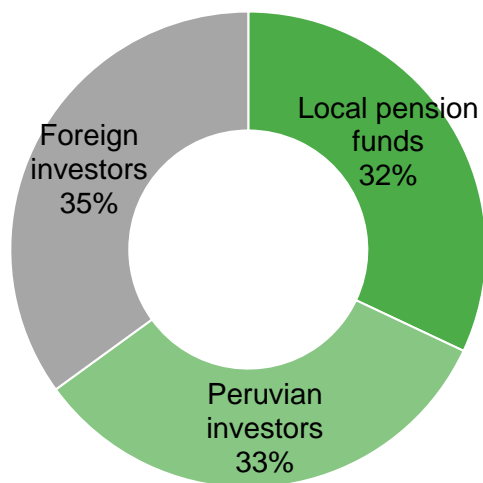
# PROFITABILITY RATIOS



- ROIC:  $\text{EBITLTM} / \text{Invested Capital (total equity + financial net debt)}$ : affected by sales that decreased by 4.2% and SG&A by 2%

# FERREYCORP IN THE CAPITAL MARKET

## SHAREHOLDERS COMPOSITION AS OF DEC 2017

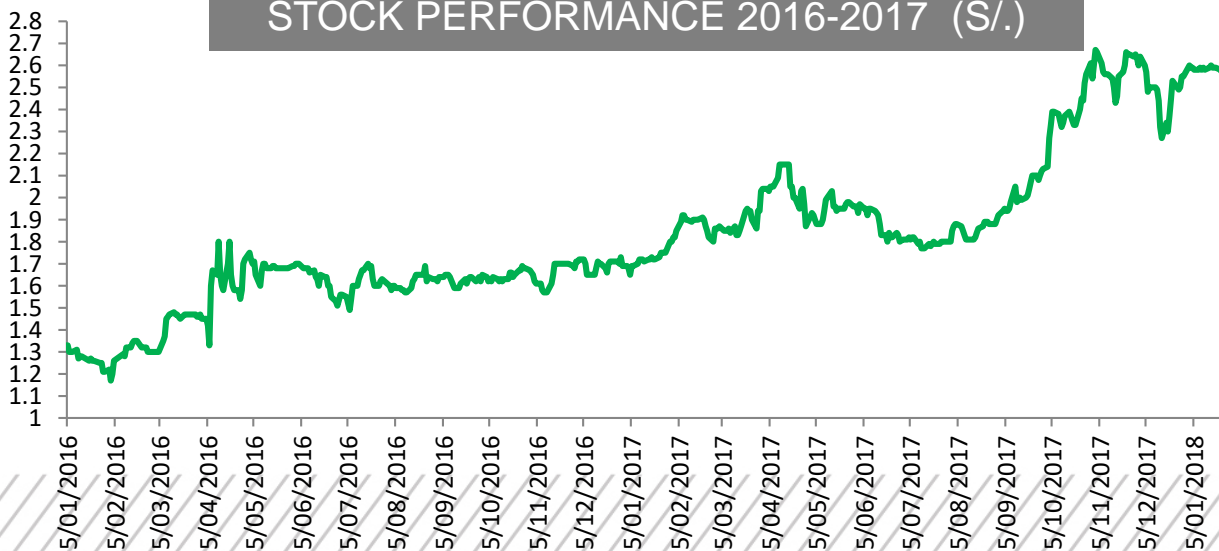


Capital	S/. 975,683,029
Nº of shares	975,683,029
Dividend Yield 2016 (div 0.128457)	7.6%

## MAIN SHAREHOLDERS AS OF DEC 17

Holder	%
Onyx Latin America Equity Fund LP	7.58%
RI-Fondo 2 (Prima AFP)	7.00%
IN-Fondo 2 (AFP Integra)	5.70%
IN-Fondo 3 (AFP Integra)	4.51%

## STOCK PERFORMANCE 2016-2017 (S/.)



# DIVIDEND POLICY

## ANNUAL COMPLIANCE

- ✓ In 1997, the company's Shareholders meeting approved the dividend policy.
- ✓ A modification was approved to assign minimum and maximum ranges. Cash dividends will amount to 5% of the capital or a ceiling equal to 60% of freely available profits.
- ✓ The amount to be distributed every year is approved in the Annual Shareholders Meeting.
- ✓ The 2013 Shareholders Meeting approved to increase the upper limit from 50% to 60% of freely available profits.

Period	Cash dividend (*)	% Dividend / Net Profit	Cash dividend per share (%)	Dividend per share (S/.)
2003	9.1	50%	<b>4.46%</b>	0.0446
2004	11.9	48%	<b>5.50%</b>	0.055
2005	13.3	49%	<b>5.50%</b>	0.055
2006	28.4	36%	<b>11.00%</b>	0.110
2007	40.2	35%	<b>13.20%</b>	0.132
2008	20.7	29%	<b>5.50%</b>	0.055
2009	28.0	31%	<b>6.00%</b>	0.066
2010	31.8	26%	<b>6.00%</b>	0.066
2011	41.9	29%	<b>6.00%</b>	0.060
2012	48.1	30%	<b>6.00%</b>	0.060
2013	55.7	60%	<b>5.90%</b>	0.059
2014	60.8	52%	<b>6.00%</b>	0.060
2015	87.3	60%	<b>8.87%</b>	0.0887
2016	124.4	60%	<b>12.8457%</b>	0.128457



(\*) In million

(\*\*) Upper Limit: 60%



**+ferreycorp**