



These are exciting times for the Philippines. Our economy has been growing at 5 to 6% per year for the last five years—a higher growth trajectory than at any time in recent history.

Our nominal Gross Domestic Product (GDP) per capita is on the verge of hitting the important threshold of USD3,000 per capita. Many experts believe that economic development accelerates for multiple years after this level has been attained. In the case of many other countries that have gone through this key stage, sectors such as consumer staples, consumer durables, retail, and tourism, to name a few, experienced sustained growth spurts. For a food company like CNPF, these are indeed exciting times.

It was against this macro backdrop that CNPF decided to access the public market last May 2014. In anticipation of opportunities that a dynamic economy can present, we pursued our Initial Public Offering (IPO) to enable us to have the capacity to grow, as well as the flexibility to raise either debt or equity.

Report of the President

₱1.6B

Net income generated in 2014

270K

Points of sales

26%

Branded revenue
growth

Our journey to becoming a public company has been a transformative one. Having operated as a family controlled private company since inception, we now have to provide the transparency required of having the public as shareholders. Significant amounts of management time are now spent on communicating our strategies and plans. No longer just accountable to ourselves, we now have the additional pressure of delivering against the expectations of the investing community.

While all of these changes certainly do not make our work easier, in my opinion, opening ourselves up to the discipline of public markets increases the likelihood of the company's longevity and future success. So, while management is busier than ever, it is the good kind of busy and we welcome it!

For the results during our first year as a public company, I am pleased to share with you the performance highlights for 2014. Most notable is the ₱1.6 billion net income generated by CNPF for the full year of 2014. That is almost a 100% increase versus the previous year. This breakout performance was underpinned by favorable movements in prices of key raw materials such as tuna, meat, and milk. There was also a deliberate move by management to target higher profit margins through price alignments and efficiency programs.

Top line revenue grew by +7% versus the previous year. The headline growth number is a blended result of a +24% increase in the company's branded businesses and a -29% growth in the private label tuna export business. Since the latter is a cost-plus-margin type of business, the drop in raw material prices caused the decline in that unit's revenues.

Nevertheless, that unit was able to deliver its expected profits even with a significant decline in sales value.

On the other hand, I believe the strong sales performance of the branded businesses is consistent with the Philippine consumption growth story as we saw strong demand in all our three M's - the marine, meat, and milk businesses. This growth can also be attributed to effective marketing campaigns such as the Century Tuna 2014 Superbods contest, 555 Kumple-tuna commercials, Argentina Corned Beef Ganado Ka campaign and Angel Kremdensada awareness building advertisements. I believe that our sales thrust of improving distribution in tertiary outlets also helped with our number of points of sales increasing from 230,000 outlets to 270,000.

Management has also been actively managing the portfolio of products and brands. The company expanded the use of easy-open tin cans to some of the major tuna offerings. Previously used just for certain premium items, the move to broaden the use of this packaging enhancement delivers more convenience to the time-pressed, urban consumer. The company invested in the branding and product improvements of the Swift line of meat products to cater to the "premiumization" trend observed as segments of the market become more demanding but are willing to pay for better product performance. It sustained the message of health through various tuna Omega-3 and DHA campaigns, as well as the distribution of Vitacoco Coconut Water, a healthier hydration alternative to sugary drinks with artificial ingredients. The company also continues to support one of the key pillars of our strategy which is delivering good tasting, value-for-money offerings to consumers with products

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like 555 marine and meat products, Wow Ulam (ready-to-eat value meat products), and Angel dairy products, to name a few.

On the sustainability front, the company last year was given admission into the International Seafood Sustainability Foundation (ISSF). The ISSF is an international group of like-minded marine companies that oversee member company's sustainability practices. CNPF is the first Filipino member of the foundation. Membership requires regular audits of the company's supply chain for compliance to sustainability best practices. Moreover, the company also became a partner of the Marine Stewardship Council (MSC), allowing the company to produce and market MSC certified products.

Looking towards the future, we are investing today in strategic projects that will provide the infrastructure for future growth and improved profitability. The key examples include the new milk factory in Taguig as well the can-making plant in General Santos. The milk business had

outgrown its old plant in Pasig and the new plant will be able to provide expansion capacity going forward. The can-making plant was completed below budget and is beginning to ramp up this first quarter of 2015. With capacity to supply up to 30% of the company's tin can requirements, it was strategic for the company to have a firmer handle on an item that accounts for 15% to 20% of our cost of goods.

At this point I would like to thank our shareholders for the trust and support you have shown us during our freshman year as a public company. Many of you probably buy our products and I am very grateful for your patronage. But I am profoundly honored by your trust in our company's management and your sharing our belief in the company's future prospects.

For me and for the rest of the management team, your trust and support are important sources of motivation as we tackle the challenges, pursue the opportunities, and strive to deliver on our mission to nourish and delight everyone, everyday, everywhere.



CHRISTOPHER T. PO

President and Chief Executive Officer