

A man in a dark suit, white shirt, and dark tie is smiling and standing in a kitchen. He is leaning on a dark countertop. Behind him are shelves filled with various canned goods, including soups and vegetables. A microwave is visible on the counter to his right. The lighting is warm and focused on the man.

Sustaining Momentum and Building for Long-Term Growth

The last two years have seen global upheavals in politics, finance, and commerce. Things we thought we would never see like Brexit, negative interest rates, and President Trump have come to pass. The rapid march of technology has brought innovations like self-driving cars, intelligent robots, and 3D printing from fiction to reality. It used to be that we preferred smaller and more portable phones. Now, I find my phone getting heavier and larger and never thought I'd be watching videos on my phone. My iPad has also almost replaced my laptop. Meanwhile, wars rage on, global temperatures continue to rise, and prices of commodities like oil, metals and milk have bottomed and bounced.

Here in the Philippines, change has also arrived. Our country saw a peaceful transition of power with a decisive mandate given to President Duterte. The new government immediately went to work - imposing law and order, challenging old alliances while forming new ones, espousing policies that promote inclusive growth, and investing in much-needed infrastructure.

NOTABLE ACHIEVEMENTS

- Consistently surpassed 10 to 15% annual growth target since Initial Public Offering in 2014
- All three mainstay business divisions of Marine, Meat, and Milk delivered robust results
- Invested in new businesses and used acquisitions to secure future options for growth

THE 3 M's

- Marine: Executed on key themes of health, convenience, and value
- Meat: Continued with taste and competitiveness proposition, while making inroads in the premium market
- Milk: Underpinned by innovation strategy to deliver mid-teens growth

ACQUISITIONS SINCE IPO

- Century Pacific Agricultural Ventures Inc. (2015) – Exposure to the fast growing, global market for various coconut products
- Kamayan for North America (2016) – An iconic shrimp paste brand recognized by large US-based Filipino community
- Century China (2016) – New channel for products while leveraging on Century's existing brand equity in China
- Hunt's for the Philippines (2017) – The market leader in Pork and Beans with a 30-year history locally

Even with the world in this constant state of flux, I continue to hold my firm belief in the Philippines as an attractive place to invest and build our food business. Our country benefits from a young population, a growing middle class, and a consumption-led economy that is relatively insulated from global ruptures.

In addition to OFW remittances and BPO revenues, our new government is also promising “a golden era” of infrastructure and further efforts to boost tourism. Headlines are filled with plans for roads, bridges, ports, and airports. The hospitality and gaming industries are producing record results from increased Chinese tourist arrivals.

From a baseline of 6% to 7% GDP growth, can these new economic drivers kick our economy into a higher gear?

We have consistently delivered robust results

With this backdrop, our Company strives to grow double the country’s GDP growth or about 10 to 15% per year, year-on-year. I am pleased to report that our management team has consistently delivered results better than these targets for the past two years.

CNPF ended 2015 with revenues of P23.32 billion and 2016 with a top line of P28.29 billion. These translated to revenue growth of 14% and 21% for the years 2015 and 2016, respectively. Commodity price tailwinds and productivity initiatives also helped expand margins over the same period resulting in after-tax profits of P1.93 billion and P2.66 billion or a growth of 21% and 37% for 2015 and 2016, respectively.

All three mainstay business divisions of Marine, Meat, and Milk contributed in delivering this performance. Marine, led by our brands such as Century, 555, and Fresca executed on the same key marketing themes of health, convenience, and value. In Meat, the team continued with its taste and price competitiveness proposition especially for the Argentina, Wow, and Lucky 7 brands. Swift continued to make inroads into the premium end of the market. The Milk division’s Angel and Birch Tree brands are underpinned by a strategy of innovation and value which have proven to be effective, delivering mid-teens growth in the last two years. Our legacy tuna OEM business meanwhile also benefitted from global trends towards health

and convenience, benefiting from a market recovery in the latter part of 2016.

We are Investing In New Businesses

Our team used acquisitions as a way to expand and secure future options for growth. The most significant acquisition to date was our coconut business - Century Pacific Agricultural Ventures, Inc. This new addition to the portfolio gives our Company exposure to the fast growing market for healthy and natural coconut products in the US, Europe, and other markets for items like coconut water, organic virgin coconut oil, desiccated coconut, coconut flour, and coconut cream - just to name a few.

This coconut business almost doubled in size in 2016 with attractive opportunities still to come in the years ahead.

We also undertook a number of “bolt-on” acquisitions where we acquired relatively smaller, bite-sized businesses in categories that are related or adjacent to ours. We then integrated them into our supply chain, sales network, and distribution system resulting in synergies and providing us growth optionality.

The acquisition of the Kamayan brand in North America fits aptly this description. Kamayan is an iconic brand recognized by the large US-based Filipino community that is fairly sizable and possesses significant economic clout.

We also took control and consolidated into CNPF the Century China Group of Companies. We will leverage on the existing equity of the Century brand in China to grow the existing business and create a channel for our products into this massive market.

Our most recent acquisition was of the Hunt’s license for the Philippines. Hunt’s has a 30 year history in the Philippines and is a market leader in Pork and Beans category. It also has a foothold in Tomato and Spaghetti sauce.

I am excited by the potential each of these acquisitions present. Plans are in place for each of these businesses to return multiples over their acquisition cost. The challenge now is to execute. I hope to be able to report positive developments in future updates.

GROWTH TARGET

10 to 15%

Revenues
Net Income
Per Year

2015 RESULTS

- **Revenues:** Php23.33 b
+14% Growth
- **Net Income:** Php1.93b
+21% Growth
8.3% Net Margin

2016 RESULTS

- **Revenues:** Php28.29b
+21% Growth
- **Net Income:** Php2.66b
+37% Growth
9.4% Net Margin

2014 to 2016

- **Revenues:**
+18%
Compounded annual growth rate
- **Net Income:**
+29%
Compounded annual growth rate

SOCIAL IMPACT

- Global board of trustees for the International Seafood Sustainability Foundation
- 4 million free meals served in 2016, a total of 18 million free meals since program's inception

2017 OUTLOOK

- Challenges from higher commodity prices, pressure on margins
- Ensuring competitiveness and value proposition to the consumers
- Balancing revenues and profitability, still targeting to deliver positive earnings growth
- Continuing to look for opportunities with returns on equity at the current 20% level
- Strategic priorities to be centered around the Philippine branded food market

Continuing to Balance Business With Social Impact

We continue to lean in to our various social responsibility and sustainability efforts. Our Vice President-General Manager for Tuna OEM, Teddy Kho, has just joined the global board of trustees for the International Seafood Sustainability Foundation. This will allow us to help shape long term global policy in seafood conservation.

Our investment in new cold storage capacity in General Santos was also the site of our first foray into renewable energy, with the plant partially powered by solar panels. The initial results have been encouraging and there are plans now to further scale this up.

The centerpiece of our community efforts is still the support given to the Century Pacific Group-RSPo Foundation's feeding program which in 2016 served 4 million meals through numerous partnerships with schools and

like-minded NGOs. Since its inception, the foundation has served over 18 million meals to more than 200 thousand beneficiaries.

Looking On To The Future

Looking at 2017, we expect to be challenged by higher commodity prices and a weaker Philippine peso, putting pressure on our margins. Our 2016 results were flattered by the bottoming of commodity prices. We plan to let margins normalize and give back some of that windfall to ensure we remain competitive and continue delivering value to our consumers. Last year, we also benefitted from election-related boosts to consumption and a one-time bump from the full-year consolidation of our coconuts business.

With these challenges in mind, this year, we are aiming to strike a balance between revenues and profitability, still targeting to deliver positive earnings growth. We also look forward to our recent investments in current and new businesses to continue

to achieve our aspiration of 10% to 15% annual growth.

Beyond this year and peering a little further into the future, we will continue to look for opportunities to deploy capital with the intention of achieving ROEs at the current 20% level, or at least the high teens. Our strategic priorities remain the same where I foresee the bulk of future investments to still be centered around the bedrock of our business - the Philippine branded food market.

In this environment of tectonic change, we are grateful to you, our shareholders, for your support, confidence and trust. We shall continue to work hard to deserve this trust and do what is for the long term benefit of our company and stakeholders.



CHRISTOPHER T. PO
President

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