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LETTER FROM THE EXECUTIVE CHAIRMAN

Dear Fellow Shareholders,

Our direction as a company is to grow the business 10% to 15% a year, year-on-year, for the next 10 years. We think this is a stretching but an attainable target given that the Philippine economy is expanding at around 6% to 7%.

Measuring ourselves against these performance indicators, we can say that the years 2014 to 2016 were outstanding years as revenues increased at a compounded annual rate of 18%. During this period, our earnings compounded at an annual rate of 29%.

The year 2017 that just ended saw our revenues accelerate 22%, thanks to buoyant high teens branded sales growth and surging OEM revenues. However, earnings did not follow suit and instead decreased by 4%.

At the start of that year, with cyclically low commodity prices in the rear view mirror, we thought delivering double-digit earnings growth against the high base of 2016 would be a challenge, but definitely not an impossible one. We were banking on the fact that over the years, we had diversified our business enough that major price pressure on one raw material can be dampened by favorable price movements in others.

Or so we thought.

As Murphy would have it, prices of all key raw materials we buy - tuna, sardines, meat, milk, tin plate, and coconut - increased between 10% to 40%. The synchronized strengthening of the economies in the U.S., Europe, China, Japan, and emerging markets had created a reflationary environment that saw most commodity indices spike. The El Niño in 2016 that led to poor tuna catch and coconut harvests also did not help.

Moreover, the past few years saw healthy growth in our key categories which understandably attracted new entrants to the party as well as intensified competition among existing players. In this kind of competitive environment, we opted to absorb some of the higher costs. The decision to be conservative on price adjustments was also rooted in our desire to ensure continued increase in consumption by keeping our products affordable. The magnitude of the price increase to offset the higher raw material costs would have driven consumers away to find substitutes, and we took the view that it would have been more expensive to win them back.

Under these extraordinary circumstances, I believe our team did a commendable job delivering nearly flat earnings growth year-on-year.

We kept a tight rein on costs and reaped the benefits of recent investments that delivered operating efficiencies. As a result, operating expenses only grew 5%, a much slower pace relative to our 22% revenue growth.

The good news is that now, in this first quarter of 2018, commodity prices are no longer moving in sync; and we are seeing some key raw materials like tuna and coconut come off

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their highs. It will take a couple more quarters before we see our margins in these businesses improve again as we still need to digest high-cost inventory and consume open forward contracts. Even with inflation beginning to creep up, we are looking forward to sequential improvement in our margins this year.

Now setting aside these transitory factors, let me highlight the many positives that have contributed to our structural growth.

First and foremost, our branded revenues continue to grow at a vigorous pace, growing 18% last year with all 3 main categories of marine, meat, and milk exhibiting positive business gains. Our mainstay brands in the marine and meat segments maintained their leadership positions, while the milk brands played the role of active challenger in emerging categories.

Second, in our coconut business, we continue to see sustained demand for coconut water and have increased volumes of higher-value products derived from coconut meat such as desiccated coconut and organic virgin coconut oil. As of late last year, we started commercial production of coconut milk and cream. There continues to be unsatisfied demand for this “superfood” in markets like the U.S., Europe, and other first world countries.

We also completed the acquisition of the Hunt’s brand in August last year. And now, having run this new business for a couple of quarters, we are pleased with our progress and have confirmed our investment thesis.

We continue to bolster our distribution infrastructure, expanding both our direct and indirect reach to around 885,000 points of sale. We continue to equip our sales force and distributors with new skills and enabling technology to sharpen our distribution capabilities and squeeze out more efficiency.

Our international branded footprint is also expanding. Last year, we established new partnerships with mainstream accounts, niche ethnic retailers, and e-commerce platforms in the U.S. We also planted our flag in new markets like Israel, Germany, the Netherlands, and Australia.

Finally, our balance sheet metrics show that our company is on stable footing. Our company is very liquid with a current ratio of 2.06x, and our net debt levels show we have the resources to fund future expansion needs - a net gearing ratio of 0.15x and a net interest-bearing debt to earnings before interest, tax, depreciation and amortization ratio of 0.55x. In 2017, our return on equity

continues to be an attractive 19%, above the average of listed Philippine companies.

With our brands healthy, a set of new and growing businesses, an improved domestic and global distribution, and a solid balance sheet set against a robust economy, I’m proud to say that the fundamentals of our business are sound and we are equipped with the resources to pursue our growth aspirations.

In the area of environmental sustainability, most of our efforts are towards preserving the marine resources we rely on through our continuing work with groups like the International Seafood Sustainability Foundation (ISSF), Earth Island, World Wildlife Fund (WWF) Philippines, and others. In the case of WWF, our latest project is the collaboration to set up a simulation marine lab at Kidzania edu-tainment park in Manila that teaches marine conservation through interactive play. I am told it is one of the most popular attractions at the park. We hope to be able to create an awareness towards conservation among the more than 100 children, mostly between ages 4 to 10, who visit the marine lab daily.

We also recently partnered with Friends of Hope, a non-profit, and several of our customers to develop a 20 hectare coconut seedling farm. Once fully operational, this farm will produce around 130,000 high-quality seedlings per year. Over the next 25 years, we expect these seedlings to replace 90% of the senile trees in the vicinity of our plant in Tumbler, General Santos. This will help ensure the continuity and stability of the coconut supply chain, benefiting over 20,000 farmers and their families.

For social responsibility, we continue to support the feeding programs of the Century Pacific Group RSPo Foundation program of nutrition and hunger alleviation through its Kain Po feeding program. Kain Po last year served more than 5 million meals to over 100,000 beneficiaries.

Before ending, I would also like to flag a recent change in our company’s organization structure which is meant to support our long-term plans and ensure sustainable business growth and longevity.

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As President and CEO, I have always seen myself co-running this business with Ted Po, my brother and our COO, together with our very capable professional team. As our business expands in scale and complexity, day-to-day operating responsibilities have become more demanding. We decided that it was time to evolve our structure in order to create increased bandwidth for a more focused search of new business opportunities.

Therefore, I will be turning over CEO responsibilities to Ted effective this March 2018. In my new role as Executive Chairman, I will now have more time to pursue strategic initiatives and various business development activities even as I continue to chair the weekly management meetings, the Board, as well as retain a portfolio of finance and newer business units.

This change also entails further empowering our professional managers. Greg Banzon is promoted to Executive Vice President and COO and Edwin Africa to Senior Vice President and General Manager. Greg has been with us since 2011, while Edwin joined in 2014.

As for Ted, he has been with the company for 28 years. He personally spearheaded the launch of many of the company's mainstay SKUs and brands. A manufacturing engineer, his technical breadth and institutional knowledge is unmatched within the company.

Ted is a "product guy" in much the same way Steve Jobs of Apple and Akio Toyoda, the new CEO of Toyota, who is also an amateur race car driver, are product guys. I do not know anyone else who is more passionate about coming up with value-for-money food products targeted towards the mass market.

I believe that the new structure fits with our expansionary ambition of achieving double-digit mid-teens growth over the medium to long term. Ted, Greg, Edwin, and I, together with the Century team, look forward to working closely together to realize this vision.

Thank you for your trust and continued support.



Christopher T. Po

Executive Chairman
March 2018

As President and CEO, I have always seen myself co-running this business with Ted Po, together with our professional team. In my new role, I will now have more time to pursue strategic initiatives and business development activities.

Both are consummate professionals having been with multinational FMCG companies, taking leadership positions in both Philippine and regional roles. The new positions entail both of them assuming more responsibilities overseeing businesses and corporate functions. I am confident that they will add significant value in their new roles.