

## A Message to Our Shareholders

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Dear Fellow Shareholders,

As we write this letter, we are in the midst of the COVID-19 global pandemic. The Philippines is now emerging from quarantine into a permanently changed world. We are working to keep the business going to feed the rush in demand brought on by bouts of panic-buying while keeping our team members safe.

This crisis is an existential threat to many businesses. Life will take time to go back to normal, and the economic fallout from the lockdown will be great. Even if the challenges are immense, we are confident that our company will meet them and prove the resilience of our organization and our business. Many of our products are in high demand as they benefit from people staying at home and from consumers seeking comfort with their favorite brands. We believe we will be able to show that our business can do well or even thrive in both good and turbulent times.

Aside from keeping our products on-shelf and protecting our employees, we are also actively engaging with the community at large to provide food and financial assistance to the most economically vulnerable, as well as to the brave frontliners called by duty to work so most of us can shelter safely. We are grateful that we are in a position to contribute and are trying our best to do our part. We believe how we act as a company during this time of crisis will define our culture and who we are for the years to come.

Even as the story of the virus is still being written, and we do not know how or when it will end, we still need to look beyond the crisis and be prepared for what lies ahead for this new decade. For this, it will be helpful to review the last five years—the time since our company went public.

### Our 5-Year Report Card

Our five years as a publicly traded company took place against a positive economic backdrop. The Philippine economy fared well, posting an average GDP growth of 6.3%, a relatively stable peso rate, and an average inflation of 3.0%. We are blessed to have this fertile environment for us to build our business.

During this period, we believe the CNPF team grew the business at a robust but sustainable pace, balancing short-term profit delivery while improving on a number of longer-term business indicators such as market share and distribution breadth and depth. At the same time, the business portfolio was strengthened through our diversification into healthier categories, setting up the Company for future growth.

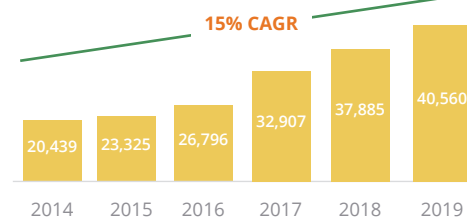


We are pleased to present that since going public in 2014, we grew revenues from PHP20.4 billion and ended 2019 at PHP40.6 billion, increasing at a compounded annual growth rate (CAGR) of 15%. Net income growth tracked revenues with a five-year CAGR of 15% as well, expanding from PHP1.6 billion to PHP3.1 billion in five years.

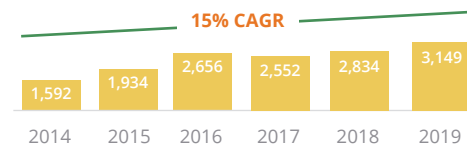
The Company faced down competition and continued market leadership in our core canned marine and meat businesses, with incremental gains and losses in various categories.

We are a more diversified company. In the last five years, we grew our dairy business four-fold and entered the coconut segment. These businesses now account for 30% of total revenues from 10% in 2014. Aside from diversification benefits, these two businesses also bring us closer to our mission of delivering affordable nutrition and building a healthier portfolio of products.

#### Revenues\* in PHP million

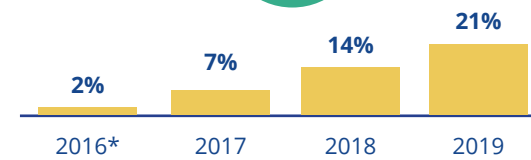


#### Net Income in PHP million



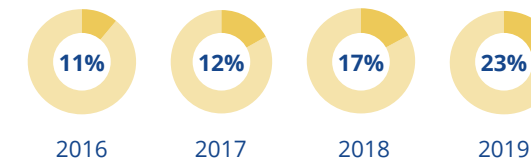
*\*IFRS 15 was applied to figures from 2016 to 2019 only. Revenue breakdown is based on management report after intersegment eliminations.*

#### Powdered Milk Market Share

11%  
2016 to 2019  
Average

*\*As of January 2016  
Source: Nielsen*

#### Milk as a Percentage of Total Revenue



*Revenue breakdown is based on management report after intersegment eliminations.*

We can certainly look back to these past five years as a period of growth and transformation. It is gratifying to see the results of our team's hard work. We believe we are well-positioned to maintain our primacy and are highly motivated to continue to deliver similar results as we move forward.

### Our 2019 Business Performance

The Philippines had to weather a calamity-prone year with almost twenty typhoons, a series of earthquakes, and the African Swine Fever, among others.

Philippine GDP grew a respectable 5.9%, the slowest rate in eight years. The first half saw the economy grow at a sub-six rate, gaining momentum in the second half and posting 6.4% growth in the last three months of the year.

The business was resilient in the face of these challenges. Overall, the Company delivered a net income after tax of PHP3.1 billion, increasing by 11% versus 2018. The bottom line would have grown even more had it not been for the investments in several new product launches, which we believe are critical for long-term growth.

Our top line reached PHP40.6 billion, higher than 2018 by 7%. This was led by our branded business which jumped by 12%, driven by our surging dairy segment while the more mature marine and meat businesses posted more staid single-digit growth rates.

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The OEM business registered negative revenue growth as lower commodity prices and the cost-plus nature of this segment pushed the top line down. However, both tuna and coconut OEM businesses met targets and saw improved bottom lines vis-a-vis the previous year, benefiting from long-term contracts with strategic customers and improved operating efficiencies.

Philippine consumer sentiment was tepid at the start of the year and most of the first half. We think this had a lot to do with the delayed passing of the national budget which stymied economic activity. Thankfully, we felt things turn around in the third quarter and experienced even more momentum the following quarter.

Similar to 2018, we saw our business in Visayas and Mindanao significantly outpace the rate of growth in Metro Manila. We think the urbanization of next-tier cities is a trend with a long tail and an indicator of a steadily growing middle class, all boding well for Philippine consumer markets.

We flagged that 2019 will be a year of innovation. We are proud of our three significant product launches, namely Birch Tree Fortified Choco, Argentina Corned Chicken, and Coco Mama Coconut Cream. It was exciting for us to see the culmination of many months of research and preparation, and we are happy to report that all three new products are either tracking or surpassing expectations. We will continue to invest in these products, as in most cases one year of support is not enough for innovations to get decent traction. At the same time, our teams continue to be busy as we replenish our innovation pipeline to tee up the next launches that will help us attain our expansionary ambitions.

Overall, and all things considered, we feel good about how we performed last year.

### Mission InSpire

Also last year, we fired the starting gun on our sustainability journey and produced our maiden sustainability report. It was the first leg of a long journey to transform our business into a healthier, more inclusive, and more sustainable enterprise while still delivering on stretching business objectives.

We are rallying the team along the themes of Protein, People, and Planet. We identified “Protein” as key to our mission as our business is about delivering nutritious value-for-money products to the market, with the class C, D, and E segments of the population as our sweet spot. We find that many of us are switched on by the idea that running our business means supplying affordable food to a nutrition-challenged nation. The more we make our products competitive, the more we expand our distribution, and the more we nutrify our products, the greater our impact.

The “People” initiatives initially involve the safety, welfare, and development of our colleagues and employees and later on expanding the scope. Many of us feel energized as we see how our business activities enable our employees, as well as those within our business ecosystem, to climb the economic ladder and hit important life milestones such as



buying a home, starting a family, sending children to school, or graduating into retirement.

For “Planet,” we examine the sourcing of key materials, our usage of precious resources like water, and the impact we have on our environment. With the breadth of our scope, the effort runs the gamut of activities that includes responsibly sourcing tuna and shortening the supply chain for coconuts and vegetables to source more directly from farmers, to re-evaluating our energy sources as well as optimizing our water and plastic footprints.

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We are pleased with the enthusiasm and energy that our teams have shown towards Mission InSpire, and will present our sustainable strategy with corresponding key performance indicators later this year.

### Our Outlook for 2020 and Beyond

As of writing, we have already announced our first quarter results with our top line growing by 24%, net income increasing by 31%, and profit margins expanding—all even as we provide for COVID-19-related expenses, keep our employees safe, and provide food and financial aid to communities.

The first quarter performance was boosted by COVID-19 stock-piling, and we will be spending the next few months replenishing the depleted trade inventory levels. There is much uncertainty about the economic contraction unfolding and how this will affect consumer demand and purchasing power. At the same time, we are sanguine about the prospects for the year as we think we are well-positioned for emerging consumer trends coming in the aftermath of the pandemic, namely staying and cooking at home, eating healthily, seeking value for money, and switching to new digital channels.

The first three are trends we have been capitalizing on and play to many of our strengths, while the fourth was brought on by necessity during the quarantine and has catapulted digital commerce from niche to mainstream. Our team has responded by launching CNPF stores on key platforms such as Lazada and Shopee. We will watch these new channels closely and invest accordingly.

We will continue to invest in the innovations we launched last year, and have a couple more waiting in the wings for possible launches in this year’s second half. We also switched on our state-of-the-art 100 metric ton-per-day tuna plant this March which will take care of our capacity requirements for the next five years.

With these tailwinds, we anticipate that we could end the year surpassing our typical target of 10% to 15% growth and aim to deliver high-teens growth this year. The strong start to the year, benign outlook for commodity prices, and relatively stable peso combined with our various growth and investment plans

give us comfort that this year’s goals are highly achievable. Our strategy for the coming years remains largely the same. We will continue to emphasize our branded businesses in the Philippines where we believe we still have a long runway, and will grow existing categories through investments and innovations. We likewise believe that ramping up our food service business and taking our brands global will still present growth opportunities.

We will also continue to build a more diversified portfolio to deliver our growth aspirations and at the same time immunize the business from volatile commodities.

Part of our expansion tool kit will be our balance sheet. We have a lot more financial capacity to spare and will continue to scout for consolidation opportunities or bite-sized acquisitions that will bring us into new adjacent categories.

Essential to our strategy going forward is our sustainability and ability to balance the needs of all our stakeholders. We believe that sustainability—whether coming up with healthier products, taking care of our people and communities, or being good stewards of our resources—is essential to our longevity. We believe our commitment to responsible business will change the complexion and character of our business in a good way and will future-proof our enterprise.

No doubt, the economic and health challenges of COVID-19 still loom; and we will need to manage through these precarious times with care. At the same time, we have seen how our team has responded to the challenges; and our resilience as an organization has shone through each time. The defensive nature of our business during past crises also gives us confidence that we can outperform even during tough times until life goes back to some semblance of normal.

With a strong belief that we can face down the immediate concerns, we look out to another new decade with excitement and hope. We are deeply grateful for the trust and support given to us by you, our shareholders. Now, as before, we renew our commitment to be responsible stewards of your capital.

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**Christopher T. Po**  
Executive Chairman



**Teodoro Alexander T. Po**  
President & CEO

May 2020

