



**We Like  
To Move It**

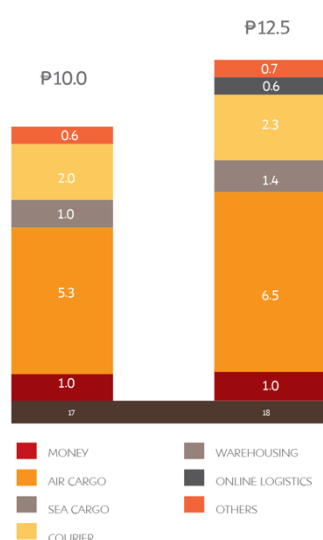
**Message from the Chairman  
and President's Report 2018**

**REDEFINING GLOBALIZATION**

Technology has been a defining characteristic of the modern world—particularly the impact it has made in the way we live.

Its influence is undeniable. It gave us new ways to communicate and collaborate; it paved the way for new opportunities; and it drastically shifted our needs and wants. As a result, we now live in a world where consumer expectations are rapidly rising, markets are in a constant state of flux, and businesses have a responsibility to keep up with the pace.

If an organization's measure of success is anchored on their adaptability, then I'm proud to say, LBC—despite these challenging, complex times— continues to thrive.



**2017 VS 2018 REVENUES  
(IN BILLIONS PHP)**

The Group's service revenues increased by 25%, to 12.51 billion pesos for the year ended December 31, 2018, from 10.02 billion pesos the previous year, attributable to 25% growth in Retail Logistics Sales and 35% in Corporate Logistics Sales.

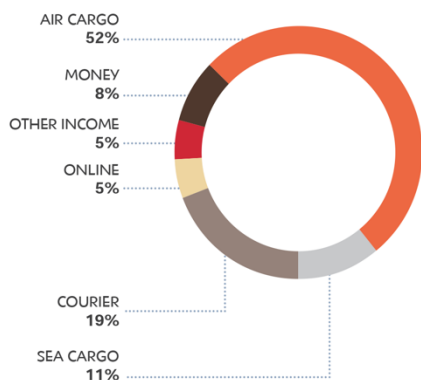
In 2018, your company expanded operations by acquiring one (1) domestic and nine (9) international entities engaged in money remittance, and online and regular logistics services. Net contribution to revenue from these business combinations amounted to 889.79 million pesos or 36% of the total increase.

There is also continuous growth in the domestic business, evidenced by the opening of 76 additional retail branches and the introduction of new products mid-2018, with total contribution of these to total revenue amounting to 123.67 million pesos. Improvement in the corporate institutional segment your company is also noteworthy, as it expanded e-commerce directed logistics and warehousing services, while likewise maintaining its annual growth of corporate or institutional accounts.

Cost of services increased by 30% to 8.56 billion pesos in 2018 from 6.6 billion pesos in 2017, in relation to volume growth in logistics services. This resulted in a 40% increase in cost of delivery and remittance.

Direct cost was also significantly affected by the increase in fuel rates, largely due to additional taxes imposed in compliance with the TRAIN Law effective January 1, 2018. This inclined carriers, mainly outsourced airlines and truckers, to enforce rate increases during the year.

Gross profit increased by 16% to 3.95 billion pesos in 2018 from 3.41 billion pesos in 2017, primarily due to the increase in volume and revenue amounts for logistics services.



**2018 TOTAL REVENUE  
SHARE BY SERVICE**

Net income after tax increased by 91% to 1.34 billion pesos in 2018 from 707.92 million pesos in 2017, mainly related to growth in gross profit by 16%, resulting from an increase in volumes; and, the recognition of gain from derivative, amounting to 454.2 million pesos, which compensates for the loss incurred in 2017.

In 2018, the Logistics business of your company accounted for approximately 92.3% of total revenues while Money Transfer Services accounted for the remaining 7.7%.

Retail Logistics comprised 62% of service revenue, primarily “Express” products (courier and air cargo forwarding) and balikbayan boxes.

Last year was a journey for your company that pursued change, anchored on innovation. We recognized that technology is the enabler for fast-paced and digitally-powered markets and industries and, we acted on it. This year, backed by all our previous efforts, we have a new opportunity to enter a new era of globalization, integration, and advancement.

We are, first and foremost, a brand for Filipinos. But remember, Filipinos are all over the world—which means if we are to achieve this goal in its truest sense, we need to be a brand for every Filipino, wherever they may be. To that end, the focus of globalization, and all its implications on increasing economies of scale and integrations is critical.

Opportunities are unfolding for your company both in the domestic and international landscape.

We recognized that one of the great engines of globalization is the expansion of LBC across borders through our ability to create strategic subsidiaries. And so, we pursued cross-border partnerships to demonstrate our strength and adaptability to evolving market and consumer trends. We focused on empowering and supporting the growth of e-commerce in this nation— an industry with no borders— to fuel business growth and address consumer needs directly. And, amid the challenges and risks associated with our vision, we maintained our competitive edge through digital transformation and constant innovation through internal operational improvements and consumer-facing applications.

Our legacy is a testament to our resilience and ability to weather through the toughest of times. We are known for being agile and innovative— qualities that allow us to maintain our edge against competition that’s getting tougher over time. Most of all, our pursuit for excellence in this industry has helped more businesses create a profitable bottom-line; a tangible outcome that is a result of our tireless effort to earn customer loyalty and trust.

Year after year, we prove that the LBC way has the power to move not just packages, but our customers’ lives as well —and this is a collective achievement that is a personal point of pride for everyone in the organization.

On this note, I take this opportunity to thank you for giving LBC the chance to do so as we find our place in a global future.

**Mike A. Camahort**  
Chairman of the Board and President  
LBC Express Holdings, Inc.

