

President's Report



Fellow shareholders, guests, mga Ka-LBC. Happy afternoon!

2016 was a landmark year for the Philippine logistics industry, and subsequently, an equally stellar year for LBC. With increased economic activity in the ASEAN region, the recent ratification of the ASEAN Economic or AEC Framework, the entire industry has been pegged to grow by a staggering 41.3 billion dollars across a four-year timeline.

This makes it a very favorable time for our brand, LBC Express, to really "Move It" on the opportunities that we were fortunate enough to leverage on so that this once modest, fully Filipino-owned company could grow to become the blue-chip enterprise that it is today.

The LBC Express enterprise has been bolstered by globalization and the rise of e-commerce; these factors play a key role in the growth of the entire industry. And more than anything, the existing scenario ultimately became a platform for LBC Express to refine its systems and processes to better serve its market and reshape the Philippines' logistics landscape.

The fact remains, however, in our colorful industry, each day poses a new and different challenge. These challenges continue to shift and evolve, following the times. It's very fluid. Finding the right solutions require a lot of resolve, fortitude, tenacity, imagination and creativity. Our approach, anchored on the LBC values, mission and vision, creates an advantageous position for the company to continue to reach new heights and deliver value to all its stakeholders or Ka-LBCs — our customers, our employees or team members our shareholders.

When we wrote our vision, we committed to becoming the access and delivery solutions provider of choice by 2020. We wanted to do this by ensuring that we have the professional and technological capacity to serve Filipino families and businesses through a well-rounded customer experience. 2016 reveals the fruits of our efforts to continuously improve our company's margins, earnings, cash flows and returns, simultaneous with consistently improving its operations and customer service, and overall customer experience.

NET core income from LBC Express, Inc., our operating company, was at 920.2 million pesos, a 117 percent increase from the previous year, while total comprehensive income was at P1.105 billion, an unprecedented 238 percent increase from previous year.

Income before tax of LBC Express Holdings, Inc., our listed company increased by 93 percent to 1.325 billion pesos from P686.9 million the previous year.

However, and in spite of an Income tax expense increase of 52 percent (411.2 million in 2016 from 270.6 million in 2015,) NET income of LBC Express Holdings, Inc., increased by 120 percent, reaching 913.9 million by year's end.

Gross profit likewise increased by 21 percent to 3.104 billion pesos from 2.556 billion of last year. We attribute growth to the increase in volumes of air and courier services and significant improvement in costs of both air and sea freight.

Other income, NET, which is comprised of foreign exchange gain, gain on sale of disposal of assets and other miscellaneous expenses increased by 41 percent to 154.1 million pesos in 2016 from 109.6 million in 2015. This was largely due to earnings generated from foreign exchange trading.

I am also pleased to report that the Company's service revenues increased by 13 percent to 8.695 billion in 2016 from 7.686 billion in 2015, primarily due to an increase in revenues from the logistics segment, attributable to growth in both retail and corporate sales.

Specifically, revenues from the logistics segment grew by 20 percent, due in large part to the additional 48 new branches that opened in the Philippines in 2016, and the incremental increase in the company's volumes from cargo forwarding services during the year.

Subsequently, Operating expenses decreased by 4 percent to 1.872 billion. Simply put, we've successfully increased our revenues and decreased our expenses.

Current assets are at 4.601 billion, a 9 percent increase from last year's numbers, and liquidity remains strong as the Company's net cash from operating activities were at 757.3 million in 2016.

On account of our 5,300-strong network comprised of more than 1,200 owned branches plus our partners and agents both in the Philippines and across the globe, our customer base is massive and diverse. Alongside LBC's history and heritage, as a pioneer, innovator, and market leader, this vast customer base and robust brand equity has allowed us to grow exponentially through the years. We are emboldened by the trust that loyal patrons, our Ka-LBCs, have bestowed on us, and continue to impart to us, to this very day. Each of our innovations and investments, whether driven by expansion, technology, convenience, is meant to address our customers' ever-evolving needs. And, these investments are paying off.

We're now in a position that allows us to expect this positive financial momentum and company growth to continue well into the next few years. We will continue with our successful ventures along with our key partners; our expansions towards automation, the modernization of our fleets and facilities and we are optimistic about seeing high returns, which is essential to growing our company.

We are also pleased to announce the consummation of a transaction with CP Briks Private Limited, a regional fund, where a convertible instrument amounting to 50 million US Dollars was issued. Proceeds of this considerable investment will be used to fund the expansion and growth of LBC Express, including capital expenditures and working capital. More details of this transaction will be discussed later in the meeting.

We, the management of LBC, purposely endeavor to further strengthen and expand our coverage in the Philippines and around the world. We have the facilities. We have the brand equity. We have the expertise.

In the Philippines, we will continue to augment our already widespread network, and get closer to the communities outside of the cities. We will also be rolling out more complementary services related to Supply Chain, which will bolster and complement our existing line of products and services.

At the end of the day, delivering is our business, but making sure we do that well enough so that we can deliver the joy behind every pouch, parcel, kilobox, *balikbayan* box, payment, and remittance that goes through us, is our paramount responsibility. The year 2016 demonstrates the steadfastness and commitment to our values, goals and ideals. The years to come define a future that's bright with possibility — and we hope everyone, our customers, employees, team members, shareholders, and partners continue to lend their confidence in our ability to not only grow LBC, but in our dedication and resolve to stay true to our company's vision.

Thank you, dear Ka-LBCs, our shareholders, guests, and friends from the press for joining us today, at our third Annual General Meeting, and Moving It with us through the years. *Aming Ligaya ang maghatid ng inyong saya.* Have a pleasant afternoon.