MD&A

Management Discussion & Analysis

The 2019 financial year has brought Wisynco Group Limited tremendous growth and expansion as we continued to make big strides within our sector. We set out to push ourselves beyond limits, resulting in a remarkable performance in our second year as a publicly traded company. Our dedicated and truly committed team managed to make this a reality.

Financial Highlights

We began the financial year on an accretive note with the addition of new distribution partnerships and stronger core revenue growth. We achieved our highest ever sales of $28.4 billion which was 15.8% higher than 2018's $24.5 billion. The increased revenues translated to higher gross profits of $10.5 billion, up from $9.1 billion a year earlier. Income from other sources grew in the period, primarily from rebates and bad debt recovered totaling $288.7 million from $92.2 million in the prior year. Selling and distribution costs grew 13% to $6.1 billion while administrative expenses grew 14.7% to $1.1 billion.

Finance costs remained largely stable at $230.2 million. Profit after tax totaled $2.9 billion or 27.7% higher than 2018. Turning to the balance sheet, Wisynco ended the year with $11.1 billion in equity up from $8.7 billion a year earlier due to increased retained earnings arising from net profit.

In 2019, we acquired a 30% stake in JP Snacks Caribbean Limited ('JP Snacks') for a consideration of $586.2 million. This investment sets no limits on a strong distribution arrangement for their snacks in Jamaica. With JP and the JP St. Mary's brand, we believe that we can replicate this success on a regional scale. The goal of this acquisition is to bring consumers locally and internationally, a wide range of innovative Caribbean snacks and tropical foods.

During the financial year, we gained the distribution rights in Jamaica for the sugar and spritis manufactured by Worthy Park Estate Limited. Worthy Park grows and processes one third of the island's sugar production and also has a growing spirits business led by the Rum Bar brand. We will act as the local distributor of Worthy Park for its sugar and spirits which will amount to approximately $2.1 billion in sales per annum.

Five-Year Financial Highlights

Year ended 30 June	2015	2016	2017	2018	2019
EBITDA ($'000)	$2,469,020	$3,800,852	$3,480,861	$3,804,507	$4,723,319
EBITDA Margin (%)	13.8%	18.7%	16.3%	15.5%	16.6%
Net Profit Margin (%)	8.4%	12.0%	11.4%	9.3%	10.3%
Debt:Shareholders Equity	0.3	0.2	0.3	0.3	0.2
ROE (%)	31.5%	38.5%	32.4%	26.4%	26.4%

Five-Year Financial Analysis

Year ended 30 June	**2015** $'000	**2016** $'000	**2017** $'000	**2018** $'000	**2019** $'000
Revenue	**17,862,659**	**20,342,987**	**21,381,665**	**24,544,049**	**28,412,414**
Cost of Sales	(11,214,946)	(12,101,189)	(13,973,617)	(15,421,144)	(17,878,208)
Gross Profit	**6,647,713**	**8,241,798**	**7,408,048**	**9,122,905**	**10,534,206**
Other operating income	60,570	217,426	743,538	92,157	288,656
Selling and distribution expenses	(3,488,015)	(4,148,981)	(4,708,190)	(5,412,601)	(6,124,947)
Administration expenses	(1,276,396)	(1,197,530)	(891,676)	(956,683)	(1,097,978)
Operating Profit	**1,943,872**	**3,112,713**	**2,551,720**	**2,845,778**	**3,599,937**
Finance Income	70,001	128,229	159,965	130,837	119,218
Finance costs	(180,831)	(150,835)	(169,746)	(211,411)	(230,205)
Profit before taxation	**1,882,269**	**3,163,371**	**2,541,939**	**2,765,204**	**3,488,950**
Taxation	(376,128)	(728,723)	(286,312)	(513,834)	(567,420)
Net Profit	1,506,141	2,434,648	2,255,627	2,251,370	2,921,530
Share of results of associates					7,792
Profit from discontinued operations	49,227	73,264	190,845	41,555	-
Net Profit	**1,506,141**	**2,434,648**	**2,446,472**	**2,292,925**	**2,929,322**
Other Comprehensive Income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign subsidiary	-	-	(21)	26,853	(1,038)
Unrealised (loss)/gain on available-for-sale investments	4,790	9,118	(4,344)	3,728	10,886
Total Comprehensive Income	**1,510,931**	**2,443,766**	**2,442,107**	**2,323,506**	**2,939,170**
Earnings Per Share					
From continuing operations	$0.42	$0.68	$0.63	$0.61	$0.78
From discontinued operations			$0.05	$0.01	

30%

In 2019, we acquired a 30% stake in JP Snacks Caribbean Limited

Our Promise

The economy transitioned from being on the brink of recession five years ago to an economy in which Jamaicans are proud, and one in which the International Monetary Fund describes as a successful case study. With unemployment at historic lows, local companies and manufacturers should continue to yield good returns on their investment which in turn provide further strengthening of the economy. According to official data, the Jamaican economy continued to grow just north of 1.0% for the June 2019 quarter. It represents higher growth by one-third year on year. Additionally, inflation and interest rates continue to trend at their lowest points in decades, the exchange rate has moved up and down but overall it allows for predictability in purchasing. Annual inflation registered 4.2% up to June 2019 which remained within the target band of 4.0% to 6.0%.

This is the most vibrant Jamaican economy we have experienced. The cost of borrowing reduced further in the year with the Bank of Jamaica reducing its policy rate to 0.75% in June 2019 down from 2% in mid 2018. The reduction was aimed at inducing increased private sector credit and in turn more economic activity.

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Stock price

Our stock price increased by 96% to $18.98 on June 30 from $9.68 over the 12 months prior. This resulted in a near $35 billion rise in market capitalization to just over $71 billion. Wisynco listed on the Stock Exchange in December 2017, its shares were valued at $7.87.

Meeting consumer needs

Over the review period, we witnessed increased focus on health by Jamaicans. We believe that awareness of sugar intake is important and we continuously work to reformulate our beverages to meet the needs of consumers. We are steadfast and committed to our mission to "Improve the lives of our people" and as such, we are in compliance with the Government's implementation of its lower sugar beverages in schools policy this year. Consumers now enjoy reduced sugar in brands such as Bigga soft drinks and low sugar or zero sugar products such as Coca-Cola and Sprite. We will continue to sell our WATA products and 100% juices without sugar added for consumers so as to ensure consumers have the choice of some sugar, low sugar or no sugar.

We have worked closely with key stakeholders to review the current labeling regulations in Jamaica and the Caribbean. The JMEA has led the way in coordinating multiple industry sessions as well as meetings with the Bureau of Standards and Ministry of Health. We favour the use of the US FDA nutrition facts approach as Jamaicans are very familiar with its graphical and detailed approach to reporting the nutritional content of the foods they consume. This approach will also continue to support our export sales to the USA and the Caribbean. An education campaign will work in tandem with a revised regulation to ensure consumers understand the labels that dress the products they purchase.

> Our success has contributed to double digit growth highlighted by our number one brand WATA and Coca-Cola coupled with major global partners like General Mills, Kelloggs, Pringles, Welch's, Bon and Nestle Ice Cream all having exceeded target expectations.

Sales and Marketing Highlights

We continue to develop and market an extensive and diverse portfolio of 147 brands from leading food and beverage manufacturers. In order to continue our track record of growth we will continue to expand our portfolio in new and existing categories. We now have a new local distribution partnership with JP Snacks. We will bring to the partnership, our expertise in marketing, manufacturing and distribution network as the exclusive distributor for the JP St Mary's Tropical snacks in Jamaica. Worthy Park Estate has also been added to the list of our ever-growing local partnerships. These two partnerships along with our alliance with Trade Winds Citrus (makers of Tru Juice), expands the company's footprint in agriculture, making us the largest "Agro Distributor" of locally manufactured products in Jamaica and the newest entrant into the local spirits industry with the Rum Bar brand.

We continue to make strides in the local market as we are the leaders and "innovators" in the water, flavoured water, energy drink, and juice categories, with the WATA, CranWATA, BOOM Energy Drink, & Tru-Juice brands respectively. We successfully launched our Sparkling CranWATA beverage to tremendous local demand.

As a trendsetter and market leader, we continue to innovate by evolving our recipes, launching new products, creating culturally relevant packaging, launching product size innovations, line extensions and providing consumers with multiple options for any lifestyle.

Our success has contributed to double digit growth highlighted by our number one brand WATA, coupled with major global partners like General Mills, Kelloggs, Pringles, Welch's, Bon and Nestle Ice Cream all having exceeded target expectations.

In keeping with our mission, "to improve the lives of our people", our marketing team continue to develop brand campaigns aimed at inspiring positivity and creating experiences for Jamaican consumers. This was demonstrated on over eight hundred occasions across the island as our brands interacted with over 2.3 million patrons, using activities to promote health and wellness, community initiatives, educational development and cultural events.

Our "ECO" campaigns and competitions such as our "Recycle Me" initiative and our "WATA Sustainability Competition" helped to increase awareness and remove plastics from our streets, drains and landfills across the island.

Other initiatives include but are not limited to our "Vita Malt Blood Donation Drive", Jamaica Producers' "Eat Well with JP Breakfast Programme" for schools and our Reggae Girlz partnership where we were one of the first local companies to provide them with major financial contribution through the brand Coca-Cola in support of their entry to the 2019 FIFA Women's World Cup.

As a part of our commitment to develop youth through sports, we presented Calabar High School

We were the first company to introduce a school beverage portfolio in November 2018 in line with less sugar added.

with an upfront grant towards the renovation of their gymnasium.

We capitalized on the power of social media to recruit and increase our direct communication and engagement with consumers, our digital strategy encompassed the management of seventeen pages including Facebook, IG, and Twitter. Through these efforts we acquired a total of 316,000 fans/ followers and were able to reach an audience over 10 million and engaging 980,000 consumers online.

The relationship with our consumers is of equal importance as with our local retailers. Through strategic trade programmes we provide materials, tools, equipment, and sale support aimed to add value and deliver on the promise of our brands.

Our approach to sugar reduction remained consistent and in line with scientific data which encourages moderation, balance, and physical activity as opposed to identifying a single nutrient as the cause of non-communicable diseases. In these efforts, we consulted and provided platforms for academia to join in the dialogue to help shape and guide a positive industry response. These initiatives led to the launch of Sparkling CranWATA. Our partners, Tru-Juice, Royal Unibrew, and General Mills also aligned in the strategy with a new reduced sugar juice drink recipe for Freshhh, the relaunch of the all-natural product Vitamalt, and a whole grain treat like Cookie Cake respectively.

As "the innovators" of the fast-moving consumer goods industry ("FMCG"), we were the first company to introduce a school beverage portfolio in November 2018. This was designed in consultation with public health officials, diet and nutrition specialists, industry professionals and the institutions, and implemented prior to the Government's sugary drink regulation in schools effective Jan 1, 2019. We have also extended our recycling policy to include all the events we sponsor, which was highlighted by the collection of 50,000 bottles in one night at BOOM Energy Drink & Gargamel Music's presents, 'Buju's Long Walk to Freedom Concert'.

Our brands continue to excite Jamaicans to do more for themselves and for the environment. We invite you to get involved, support, and connect with us on our current initiatives. This can be done via our social pages including Instagram, Twitter and Facebook and also, get more information and news through our website: **www.wisynco.com.**

Commercial Highlights

With a sales and merchandising force of 800 strong, we continue to exceed expectations in performance and service. The highlight of the year was our Sales Conference in February 2019 with the theme "Exceeding the Vision – Securing the Future". In true Wisynco fashion, there were 'tear jerking' Wisynco "WOW moments" as team members revealed inspiring stories of their journey. Our keynote speakers, two CEOs of large successful organizations, provided the team with insightful and real-life experiences and an inspirational vision of what the future holds.

Scene from, "Wisynco V.I.B.E.S." launch on November 2018. The initiative is to coordinate recognition and recreation activities across the group.

HR Highlights

Overview

We have acknowledged that a solid human resource framework is essential to favourable business outcomes. As the future of work evolves, there is also a shift in HR strategies and the skill sets required for a job. Nevertheless, our commitment is to build a Team that delivers superior business results, while creating more opportunities for our teams to have meaningful work and better careers.

Our People Strategy

The purpose of our HR efforts remains one that attracts, develops and retains high performing passionate people who demonstrate our "core values" in support of our mission. Our People Strategy is centered around four (4) pillars:

- Talent & Capability Management;
- Performance, Reward, Engagement & Culture;
- Organizational Design & Workforce Planning;
- Technology, Efficiency & Controls.

Building Star Talent & A Winning Team

Our interest in organizational growth is matched by an unwavering commitment to employee growth and advancement. To this end, we launched two signature leadership development programmes to build bench strength, fittingly named "Wisynco LEAD" (Leadership Excellence And Development), and the "Future Leaders Programme" (a management trainee initiative) which both assume an experiential approach to learning.

Leadership and capacity building remain a strong focus to drive superior performance, hence our increasing attention to performance management with the introduction of coaching and a more structured approach to goal setting.

Nurturing talent is a high priority and was demonstrated in the 47 learning activities completed among 1,786 employees. With average learning hours of 7.9 per employee, the total learning hours increased by 0.6% over the previous financial year. We have adopted strong onboarding methods and greater attention to growing talent from within. This is shown in the 43 positions filled internally by way of transfers and promotions during the period. In the same vein, we continue to attract a pool of talent with varying skill sets through robust recruitment using non-traditional sources, including employee referrals.

47

Learning activities completed among 1,786 employees.

43

positions filled internally by way of transfer or promotion

Our commitment to capacity building has also been extended to the youth of our nation. A critical component of our HR strategy is culturing a spirit of service within the organization. One such way this is done is through mentorship which has proven to be mutually beneficial to both mentors and mentees. This year through our Summer Internship and Youth Development Programme, we placed eighty-five (85) students throughout a number of departments in the organization, amplifying their work experiences with the aim of developing competent members for the workforce.

Core HR Services

At the end of the financial year we completed 50% implementation of our new HR software that will streamline recruitment, performance management, employee relations, leave administration, time keeping and records management. The platform will ultimately improve HR's efficiency, effectiveness, as well as our analytical capabilities.

Recognition & Recreation

We promote and maintain an inclusive culture built on our core values to continuously enhance employees' experience. The employee initiative, "Wisynco V.I.B.E.S." (Visionary Innovators Building Employee Spirit) was launched in November 2018 to coordinate recognition and recreation activities across the group. Through these efforts we have managed to establish and maintain a healthy balance between work and recreation within the workplace.

Outlook

As this year embraced many successes in our limitless efforts to attain our objective of deepening distribution capabilities and reach, we will continue to work towards maximising this vision to the furthest degree possible. With much to celebrate, including a 30% acquisition of JP Snacks Caribbean Limited and our distribution alliance with Worthy Park Estate Limited, we see this as just the beginning of an expansion that will result in growth in the coming years.

With promising prospects thus far, we look forward to 2020 with no limits. As leaders in our industry, we aim to push boundaries and make strides within our sector. We will continue to rollout our trade strategies to support organizational growth and improve efficiencies. Logistically, as we continue to expand, we will see an increase in product reach and customer demands which challenges us to maintain a fluid and consistent distribution channel.

The new financial year will see us "Raising the Bar" with our laser focused committed team, excited and passionate about continued success and the pursuit of excellence in customer service. Through strengthening leadership and succession management, supporting recruitment and retention with an inclusive culture built on our core values of CHIRP (Compassion, Humility, Integrity, Respect and Passion); we will continue to develop and empower a high-performing and engaged workforce to whom we owe our success

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The new financial year will see us "Raising the Bar" with our laser focused committed team, excited and passionate about continued success and the pursuit of excellence in customer service.

Our brands continue to inspire and excite Jamaicans...

MANUFACTURING

WATA

WATA
WATA WID WOW!

BIGGA
I AM JAMAICAN... MADE FOR FUN!

SPARKLING CranWATA

Coca-Cola

BOOM ENERGY DRINK

IRONADE ENERGY

Minute Maid

Schweppes

Sprite

DISTRIBUTION

Breyers

FERRERO

Häagen-Dazs

HAWAIIAN PUNCH

HELADOS BON

HELLMANN'S EST. 1913

HERR'S FOREVER GOOD

JOLLY rancher

Kellogg's

Lipton

m&m's ICE CREAM

MOTT'S

NATURE VALLEY

Nestlé

nutella

Pringles

Red Bull ENERGY DRINK

RED ROSE

SNICKERS ICE CREAM

TWIX ICE CREAM

Welch's

Yoplait

Tru-Juice PREMIUM QUALITY

St Mary's SINCE 1929

Rum-Bar

Freshhh JUICE DRINKS & FRUIT DRINKS

SQUEEZZ Fruit Drink

WORTHY PARK EST. 1670 SINGLE ESTATE RESERVE

POWERADE