MD&A

Management Discussion & Analysis

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The 2019 – 2020 financial year (FY) began with a favourable and growing economy, reduced interest rates and relatively stable inflation. This allowed for a positive start to the financial year with robust growth across core beverage brands, as a result of increased demand and improved efficiencies in the plant productivity. This was further enhanced by the strategic alliances attained between Worthy Park and JP St. Mary's Snacks. Growth continued across all major product categories, from June to March 2020.

2020 yielded challenges, beginning with the closure of the Styrofoam plant in accordance with the Government of Jamaica's ban on the production and sale of Styrofoam in Jamaica effective January 1, 2020. This was shadowed by the discovery of Jamaica's first COVID-19 case on March 10, followed shortly thereafter with travel bans, closure of airports, schools, the Tourism industry, sporting events, bars, and all entertainment activity. This, in turn, caused revenue in March to underperform and further resulted in our April to June revenues declining compared to expectations. Although the pandemic posed challenges across sales channels in Jamaica, Wisynco ended the financial year with good revenue growth and profits attributable to shareholders greater than the prior year.

FINANCIAL HIGHLIGHTS

Revenue from continuing operations grew to $32.2 billion, representing an increase of $5.3 billion or 20% over $26.9 billion in FY 2019. This was driven primarily by growth in our core beverage brands, and revenues from our alliances such as Juices, Sugar and St Mary's branded Tropical Chips. Revenues for the nine months ended March 31, 2020, were growing at an annualized rate of 27.5%. However, due to COVID-19, the growth rate dropped below expectations in the final quarter resulting in an overall growth rate of 19.4% for the FY 2020.

Gross Profits from continuing operations were $11.1 billion which was $1 billion or 10% greater than $10.1 billion achieved in FY 2019. Selling and distribution costs grew $0.7 billion or 11% to $6.7 billion over $6.1 billion in FY 2019, while administrative expenses grew $0.3 billion or 25% to $1.4 billion over $1.1 billion in FY 2019.

Finance income in FY 2020 was $320 million, representing a $201.2 million or 169% growth over $119.2 million in FY 2019. This was driven by $182 million in FX gains and $136.9 million in interest income, with finance costs of $155.8 million dropping $74.4 million or 32% from $230.2 million in FY 2019, due mainly to reduction in interest expense.

Annual inflation registered 6.3% as at June 2020, up from 4.2% in June 2019. This is around the targeted inflation rate threshold of 4-6%.

Five-Year Financial Analysis

Year ended 30 June	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000
Revenue	**20,342,987**	**21,381,665**	**24,544,049**	**26,939,227**	**32,170,426**
Cost of Sales	-12,101,189	-13,973,617	-15,421,144	-16,867,965	-21,103,363
Gross Profit	**8,241,798**	**7,408,048**	**9,122,905**	**10,071,262**	**11,067,063**
Other operating income	217,426	743,538	92,157	288,656	142,654
Selling and distribution expenses	- 4,148,981	-4,708,190	-5,412,601	-6,124,857	-6,784,843
Administration expenses	-1,197,530	-891,676	-956,683	-1,097,978	-1,370,277
Operating Profit	**3,112,713**	**2,551,720**	**2,845,778**	**3,137,083**	**3,054,597**
Finance Income	128,229	159,965	130,837	119,218	320,495
Finance costs	-150,835	-169,746	-211,411	-230,205	-155,844
Share of Results of Associate	–	–	–	7,792	984
Profit before taxation	**3,090,107**	**2,541,939**	**2,765,204**	**3,033,888**	**3,220,232**
Taxation	-728,723	-286,312	-513,834	-491,723	-557,565
Profit from discontinued operations	73,264	190,845	41,555	387,157	139,736
Net Profit	**2,434,648**	**2,446,472**	**2,292,925**	**2,929,322**	**2,802,403**
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	9,765
Unrealised (loss)/gain on investment securities	9,118	-4,344	3,728	10,886	17,302
Total Comprehensive Income	**2,443,766**	**2,442,107**	**2,323,506**	**2,939,170**	**2,838,792**
% Revenue Increase YOY	13.9%	5.1%	14.8%	9.8%	19.4%
Gross Margin (%)	40.5	34.6	37.2	37.4	34.4
EBITDA ('000)	3,800,852	3,480,861	3,804,507	4,260,465	4,472,670
EBITDA Margin (%)	18.7	16.3	15.5	15.8	13.9
Net Profit Margin (%)	12.0	11.4	9.3	9.4	8.3
Debt:Shareholders Equity	0.2	0.3	0.3	0.2	0.2
S&D and Admin Expenses to Sales Ratio	26.3	26.2	26.0	26.8	25.3
ROE (%)	38.5	32.4	26.4	22.9	20.5
Earnings Per Share					
From continuing operations	0.68	0.63	0.61	0.68	0.71
From discontinued operations		0.05	0.01	0.10	0.04

Our Promise

COVID-19 represents a major change in the way we live – with the enactment of shelter in place orders and the adoption of new protocols to protect the population. As we grapple to understand the dynamic circumstances that will impact the nation in this unique paradigm, Wisynco has adapted to this new way of doing business with revised procedures. We have bolstered our I.T. infrastructure, sanitization protocols, and most importantly – our human resource management. We have been able to weather these challenges through strategy, teamwork, communication and the commitment of our dedicated team of professionals, all working towards the common goal of continuing to serve the people of Jamaica.

We extend gratitude and applaud our frontline Wisynco teams – those members in production, operations, sales, credit, and merchandising, as well as our truckers who have gone above and beyond the call of duty. They excelled in getting our products to our customers and consumers in the trade, to whom we are also very grateful. Finally, we are thankful to the men and women holding the line – the medical professionals, police, military and the Ministries under the Government of Jamaica, whose role and performance in stymieing the impact of the pandemic has been acknowledged internationally.

Stock Price

Our stock price was $19.50 as at the end of June 2020, increasing 2% from $19.10 over the 12 months prior. Wisynco listed on the Stock Exchange in December 2017, at a price of $7.87.

Operations Report

The Operations department was able to increase our peak throughput capacity by 34% compared to the last financial year. The COVID-19 pandemic has served to underscore our agility in response to changes in the business environment. We leveraged opportunities presented by this unique challenge, notably, strengthening our overnight loading for timely deliveries during restricted hours.

We increased our company-owned delivery fleet capacity by 20%, developed key in-house maintenance functions and commenced a 20% capacity expansion for our frozen storage warehousing. The period also saw us expanding our services through the introduction of third-party logistics (3PL) for warehousing goods for select partners.

Our digital transformation included automating our inventory cycle-counting, which improved our efficiency and accuracy. Future transformation will include implementing a new ERP solution for top-level performance in all areas. Additionally, a new top-line PBX contact centre solution was procured for US$350,000 to enhance our customer experience.

Manufacturing Highlights

We invested in several areas including:

1) US$1.2 million in improvements in our processing and clean-in-place (CIP) infrastructure to increase our processing capacity by approximately 25%.
2) US$3.6 million in 2MW LNG power generating plant taking our self-generation capacity to 1,300,000 KWH/month and bringing significant savings. The plant was scheduled for commissioning during the third quarter, but due to the pandemic, we officially began partial production in July and are now at full capacity.
3) US$236,934 to improve the reliability, performance and capacity of our wastewater treatment plant (WWTP).

There was an overall increase in the production of unit cases over the previous year even with consumer demand falling in the fourth quarter due to COVID-19. Our bottled water packaging was made more environmentally friendly by reducing the plastic in the bottle by over 25%.

The IMS team guided us through the retention of all our international certification in quality management, food safety, environmental and safety systems namely ISO 9001, FSSC 22000, ISO 14000 and the successful conversion from OSHA 18000 to ISO 45000. We formed an alliance with CMU for automation training for seven (7) of our technical staff.

We improved our product range by adding low-calorie products such as Melon WATA and Sparkling CranWATA, Apple Berry and Orange Passion in our Squeezz brand and Sprite Harmony from our Coke line. Pineapple Ginger was also added to our BIGGA soft drink range of products.

SALES

Commercial Highlights

Despite the latter part of the 2019 – 2020 financial year being a challenge, our Sales and Merchandising teams continued to perform with distinction. We are truly grateful to them as they soldiered on, practising safety protocols, despite the threat of the COVID-19 pandemic. Our true "innovators" found creative ways to make sure customers' shelves and storerooms had adequate stocks so consumers were not disappointed. In the first three quarters, we were tracking 27.54% ahead of FY 2019. Nevertheless, COVID saw Q4 fall significantly. Through the hard work of the Sales Team, we managed to close the Financial Year positively.

Strategic Alliances

No new major alliances were formed, but during the period, some of our trading partners continued to provide new line extensions and product offerings based on consumer insights. In the financial year 2020 - 2021, JP St Mary's will launch a new range of potato chips to complement their current JP St Mary's Banana chips range. During last year, JP also introduced a banana bread, which the market has been enjoying. Additionally, innovations in Beverages from Coca-Cola with the introduction of 'Sprite Cranberry' and Trade Winds' locally produced Pineapples had positive impacts. This will allow for improved distribution points and market opportunities. Worthy Park Rums performed well until the last quarter where the effects of COVID-19 and the associated restrictions took effect. Our sugar portfolio, Jamaica Gold and Worthy Park, continue to experience positive growth.

Sales Transformation

Our sustained focus on our route to market strategy continues to deliver solid results and most importantly increased customer satisfaction.

Looking Ahead in Financial Year 2020-2021

The pandemic will continue to temper activity in Tourism, Entertainment, Bars, Activities and Schools. Therefore while we do not expect robust revenue growth, we are focused on the safety and motivation of staff, expense management, and improving revenues as we all continue to "Improve the lives of our people."

We all scream for ice cream!

COVID-19 significantly impacted consumer buying and consumption patterns. At the end of the year our Ice Cream portfolio which includes Nestle Buckingham, Blue and Gold, Breyers, Ben & Jerrys, Kremi and Häagen Dazs reflected an increase in sales of between 18% and 43%, with even higher percentages for Take Home Ice Cream.

MD&A

MARKETING

Wisynco, a part of the Coca-Cola System, markets an extensive and diverse portfolio of 132 brands from leading food and beverage manufacturers locally and across the World. Wisynco continues to expand its portfolio in new and existing categories. The number one energy drink in Jamaica, BOOM Energy Drink, received an updated futuristic design. Significantly, Wisynco was recognized by Coca-Cola Latin Centre Business Unit (LCBU) as achieving the highest sustainable growth for Coca-Cola Trade Mark (CCTM) in LATAM & Caribbean for 2019.

Consumer Focussed

Marketing continues to provide outlets for the promotion and trial of all our brands through our dedicated execution team which activated over 6,600 in-store and provided 1.4 million samples island-wide. This was additionally demonstrated on over six hundred occasions through sponsorships and philanthropic activities via donations, fundraising, promoting health and wellness, environmental wellness, community initiatives, educational development and cultural events.

Key Initiatives

BOOM & Jamaica Music Conference (JMC)

Boom was the lead sponsor of the JMC aimed at educating and mobilizing artists, creatives and industry professionals in the business of Reggae music. Due to the brand's investment

funding, JMC was able to significantly enhance the calibre of panellists with leading experts from the top global digital streaming platforms such as Jason Kpana (Tidal), Tuma Basa (YouTube), and Diego Herrerra (Pandora), who provided attendees key insights on how to get their music to the world. Other major highlights from the conference were DJ Kool Herc (Father of Hip Hop), and Shaggy (International Reggae Artist), to name a few.

BOOM Label Change

After 10 years of dominating the local energy drink market, we thought it prudent to give the product a more futuristic look. The label change took effect in February 2020 giving the brand a new and refreshing appearance. Customers have taken notice of the change and the reviews have been positive.

BOOM 10 Year Anniversary - Shenseea

BOOM celebrated its 10-year anniversary in January 2020 and developed a partnership with dancehall artiste Shenseea in February 2020. Shenseea is one of the leading entertainers in Jamaica and the Diaspora, and has gained popularity within Boom's key demographic. Her digital presence with over 2.4M followers, and growing, continues to propel this rising star locally and internationally. In the first 48 hours of announcing the partnership, the brand gained 2,500 new followers. This was significant as BOOM's was able to leverage her influence to offset the decrease in grassroots interaction with digital engagement during the pandemic.

Impact of COVID-19

We provided guidance on safety protocols and products for our customers and communities in need. Wisynco provided supplies such as hand sanitizer, disposable masks, and signage for various channels such as schools, traditional grocery, cookshops and bars. In tandem, we donated over 79,000 bottles for care packages and feeding programmes to benefit students, health care workers, nursing homes, boys' homes and locked down communities Wisynco and its partners Tru Juice and JP St. Mary's invested $6 million to provide funding for free access to online courses to over 5,000 students island-wide.

Our brands continue to excite Jamaicans to do more for themselves and the environment around them. Wisynco Group Limited responded to a call from the South East Regional Health Authority (SERHA) through the Kingston Public Hospital (KPH) to supply polyethylene terephthalate (PET) bottles to make medical spacers, also called holding chambers. Dr. Natalie Whylie, Senior Medical Officer at Kingston Public Hospital, Jamaica, and co-worker Victor Henry used our PET bottles and plastic tubes to create spacers to enhance the accuracy and delivery of airway medications for COVID-19 and respiratory patients at Kingston Public Hospital.

FY 19-20 saw our first full year for Sugar sales, which included the Worthy Park Estate portfolio of sugar.

HUMAN RESOURCES

Our Value – Our People

Our People are at the core of connecting with our customers and consumers. We firmly believe that work gives life meaning, which is why we support our Teams to realize their true potential by offering continuous development. Our aim is for our people to enjoy the best work environment, excellent learning, and fulfilling career opportunities.

Key People Priorities

Talent at the Centre

The Wisynco LEAD Programme framework establishes a clear set of standards and expectations by which our leaders are expected to lead and manage, in a way that consistently achieves business results and enhances our Team Members' experience.

Our Future Leaders' Programme with five (5) participants utilizes an experiential approach to learning over a 2-year period, to strengthen leadership at the supervisory level. We introduced the 360 Degree Multi-Rater Assessment tool to guide executive development decisions and monitor the organizational climate, leadership styles and competencies.

Learning activities are competency-based and focus primarily on leadership, sales, job-related and soft skills. During these times especially, we continue to expand our digital learning opportunities as we seek new and innovative ways to upskill and reskill Teams. For the year just ended we executed 64 learning activities with 1,407 participants.

There were 302 full-time positions filled during the year, with 119 by way of transfers and/or promotions – representing 39% of permanent hires versus 11.5% in the previous year.

Core HR Activities

Some of HR's Core Activities during the financial year included:

- A reorganization of the HR unit was completed and included the assignment of HR Business Partners to divisions, supporting through consultation and simplifying service delivery.

- Policies were developed or reviewed for better alignment with the business agenda and included Flexible Work Arrangement (covering Remote Working Guidelines), Performance Management, Recruitment & Selection, Transfer & Promotion, and Retirement.
- Our HR Management Information System (HRPlus) is 90% implemented and we continuously tracked and monitored Team Members logged in and engaged with the technology.

Wellness and Recreation

COVID-19 took priority in the second half of the financial year as HR led efforts in providing leadership and governance, achieving a delicate balance between the safety of our Team Members and supporting decisions that preserve business continuity. Through Policy (Work from Home) and robust communication using various media (notices, messages, videos, signage, digital meetings), case tracking of team members' potential risks, treatment of quarantine persons, and organizing remote working. HR steered the COVID-19 Response Team, stabilizing the organization in a way that lessens the anxiety whilst raising awareness during the pandemic.

Looking Ahead

As we get accustomed to operating in a COVID-19 environment, HR's priorities remain focused on achieving the established organizational goals, and will also include:

1. Stabilizing the HR model and technology to further enhance the effectiveness of the function.
2. Creating a new model for development and succession management by fast-tracking e-learning resources.
3. Re-shaping where and when work is done by enhancing our remote working capabilities.

Caption

Information Technology

We planned I.T. objectives focused on the expansion of our I.T. systems to accommodate increased sales activity and improvements to all supporting business processes and management controls. In executing this objective, Wisynco has taken a standards-based approach in managing our technology portfolio by utilizing the Control Objectives for Information and Related Technologies (COBIT) Framework. This foundation implements a business-centric I.T. governance model and allows us to benchmark against best practices. We were also guided by independent auditing firms in evaluating and addressing I.T. risks as well as opportunities.

Operationally, planned upgrades to our Network and Data Center core operations facilitated the ongoing expansion of our Inventory and Distribution functions while also improving systems availability. Numerous projects spanning physical access control, data and video transmission as well as backup and disaster recovery have been completed. A primary area of focus has been to improve the availability our Enterprise Resource Planning (ERP) application even while supporting business growth. Plans are being developed for a 5 year system upgrade roadmap that would support the long term business strategy of the company.

As with all corporate entities, operations have had to be streamlined to facilitate the Work From Home requirements due to the COVID-19 pandemic. The use of technology has played a major role in achieving this. Wisynco was able to quickly leverage the use of existing systems and applications to transition a majority of the workforce to remote work without losing efficiency–– while also improving the use of collaborative tools. This has been a success to date and has allowed business continuity in the new environment to which we have had to adapt. Much of this work was done in the last quarter of the financial year. Equipment and connectivity as well as tools for data and voice communication are currently being used by numerous employees who can now work from home. As we continue to monitor the spread of the pandemic across the island, we will continue to implement tools and processes that allow us to work effectively in a 'Distributed Virtual Environment.'

Outlook

At the beginning of this financial year, Wisynco grew from strength to strength, taking advantage of a robust economy. We implemented several initiatives, designed to create efficiencies, broadening our product offerings and deepening our distribution channels. We made significant investments in our infrastructure, fleet, energy and our people, creating solid growth in the first three quarters of the financial year. It is these investments which will allow us to remain profitable, withstanding the global pandemic, that has severely impacted the nation and the world.

COVID-19's impact on key partners, customers and industries requires a serious response. Management created a COVID-19 committee to ensure that protocols were being followed, widespread communication with stakeholders, and creating a working environment that is safe and effective.

Wisynco's extensive reach and depth across its sales channels allow the company to perform when the economy was vibrant and mitigates concentration risk when the economy experiences a slowdown. The partnerships made with Worthy Park and JP Snacks will continue to see expansion as we serve current markets and grow new ones, with exports into the United States and the United Kingdom.

We have reduced non-essential expenses and will continue to improve processes while remaining passionately customer focussed. Our empowered teams will continue to take the spirit of high performance and commitment to serve our customers. We remain optimistic regarding the global efforts to bring the effects of the pandemic to close in order to reinvigorate the economy.