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## MANAGEMENT's LETTER ON BUSINESS CONTINUITY AND GOING CONCERN STATUS IN LIGHT OF COVID-19

In the view of the global pandemic – Covid 19 which is ravaging health and economies across the globe, with many people succumbing to the virus, businesses and economies being overwhelmed by its impact. Many companies are laying off workers and activities are shutting down. Nigeria is no exception with the Federal government locking down all activities in Lagos, Ogun and FCT for the whole of April, 2020.

As a pharmaceutical manufacturing company we are classified as essential services entity and as expected we are still operating our factory to keep bringing out the products needed at this time to battle the disease including our pain relievers and our hand sanitizers.

### **Business Continuity**

We have therefore activated our business continuity mode and have put measures in place to ensure the safety of staffs. These include adoption of NCDC guidelines and social distancing measures as follows:

- Rotation/attendance of staffs into weekly shifts for the first two weeks by Heads of Departments.
- Activating the work from home mode for all top management staff from third week.
- Stoppage of visits to the office by external visitors/suppliers etc.
- Provision of dedicated shuttle buses for factory staffs to pick and drop them off at their nearest bus-stops with screening before boarding.
- Provision of wash hand facilities with soap and water at all main entrances including temperature testing of all by security staff.
- Provision of face masks and hand sanitizers for all staffs.
- Maintaining personal distances and spaces of 6ft between staffs.
- Holding our management meetings online via digital platforms.

These measures will continue even after the easing of the lock down on 4<sup>th</sup> May, 2020 and going forward.

### **Trend and Outlook of Covid-19**

We will keep monitoring the updates and local statistics of incidences and cases as reported daily by NCDC. It is clear that the case is at community level in Nigeria now but still better than earlier projections. There is no official cure or vaccine existing at the moment. There are efforts all over the world at finding a cure or vaccine but until this is done, the new normal will be social distancing, face-masking, sanitizing of hands and surfaces.

A perpetual indefinite lock-down may not be feasible as the economy may totally collapse and people need to eat, therefore people must adapt to the new normal of taking all necessary precautions to stay safe while working.

### **Future Impact of the pandemic**

As a pharmaceutical manufacturing company, the pandemic has placed a huge demand on us to keep producing relevant medicines for people to manage the disease and to boost their immunity



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against the disease, this means we will see increased revenues for certain products. The challenge this brings is the disruption in supply chains globally and the increasing costs of input materials due to the volatile exchange rate. Oil prices have hit rock bottom as there is no demand for oil, industries are closed and there are no international flights working.

Aviation, tourism, hospitality and travel industries are the first victims and many across these industries are laying off staffs and shutting down. Only essential services will keep running in this period – these are food, healthcare, online service providers as many are working from home, telecommunications and even schools have gone digital for now. Thankfully, We as a company are positioned in essential services and we are working to ensure we are still standing strong at the end of the pandemic and even venture into new products development.

#### **Response to related uncertainties**

The most critical thing at this period is health of all our staffs while ensuring business continuity. To this end we have deployed all social distancing rules as highlighted above. We will keep monitoring the situation and be in full compliance with guidelines issued by the health authorities to ensure the safety of Nigerians. We are also engaging with all our stakeholders to ensure that everyone is carried along on our actions and impact as a result of this pandemic.

#### **Assessment of impact on our business**

Furthermore, management has made an assessment of the pandemic on the Group and company's ability to continue as a going concern as follows:

##### Revenue Generation:

Our business is healthcare and pharmaceutical manufacturing which puts us in a position of opportunity to bring out relevant quality products that people can use to manage the disease. We were among the first to produce hand sanitizers immediately the first index case who imported the virus from Italy was reported. Incidentally, our sales on this has actually increased our revenue over our previous year performance and so we assess that revenue generation is not challenged but rather presents us with more opportunity to sell more while also helping to combat the pandemic.

##### Liquidity:

In response to the pandemic the CBN has earmarked an intervention funds of N100billion for pharmaceutical/healthcare companies to support their businesses as these are the defense mechanism for the country to ensure constant supply of drugs and to achieve drugs security. This fund is to be given at a single digit interest and over a long tenor of 10years with a 3yr moratorium on principal. As a pioneer and leading pharmaceutical company May & Baker is well qualified and positioned to access this intervention loan and we have already submitted our application. We believe this will further enhance liquidity for business and ensure we are able to keep procuring materials from our supply chain at this period. We believe our business is well-positioned to ensure adequate supply of materials and manufacturing of our products in the short and medium term at least while praying with millions all around the world for a speedy end to Covid-19.

  
30 April, 2020

Signed: Management

**MAY & BAKER NIGERIA PLC**