



MAY AND BAKER NIG. PLC

2023 NEW YEAR MESSAGE BY THE MD/CEO.

My dear colleagues,

It is my pleasure to wish you all a happy new year, 2023. I thank God for allowing all of us to witness this New Year, having kept us through 2022 despite the challenges it presented. We thank God for journey mercies for many of you who may have travelled during the holidays and are back. I do hope that we all had some time to rest and celebrate with our families and friends during the festive periods, and I am glad to welcome all of us back.

I will not forget to appreciate some of our colleagues who had to wait during the holidays to ensure we could make products available for our customers. We do appreciate your sacrifices in staying behind to help the company and our customers when you could have been celebrating with your families.

Let me also use this opportunity to thank all of you for your contributions in 2022. During this meeting last year, we were optimistic that 2022 was going to be a better year as the challenges of COVID-19 and its impact on business were beginning to wane. Little did we know that within less than two months of that presentation, Russia was going to invade Ukraine on February 24th, 2022 to be precise. What looked initially like a minor conflict between two neighbours soon degenerated into an all-out war which has impacted not just the two countries but has resulted in severe disruptions of trade and high inflation across the globe.

2022 eventually was more challenging than any of us anticipated. A combination of the impact of COVID-19 and the Russia/Ukraine war meant a further disruption in global trade, high inflation, and the attendant rise in the cost of raw materials and operations. This was further worsened by the peculiar situation of lack of FOREX and the attendant devaluation of the naira occasioned by the supply shortages. Whereas the official exchange rate was pegged by CBN at N435/\$ and the I&E window at N446/\$, Form Ms were done at N464/\$ when you get from the official sources (which was hardly adequate) and we know that the parallel market went

as high as N800/\$ at some point in the year. All of these had a serious impact on our cost of goods and operations, which overall impacted our eventual bottom line.

STATE OF THE BUSINESS.

As already stated, 2022 came with a lot of challenges which made it difficult to achieve the set objectives. Apart from the already highlighted challenges of cost of goods and high cost of forex, we encountered another major challenge in 2022 which was the fact that we could not meet the demand, especially for our major product Paracetamol x 96. We had situations where customers paid money upfront just to be able to get allocation for the product. We were constrained by the capacity and frequent breakdowns of machines and gas outages. Hence the final numbers we ended the year with, were not a true picture of what our performance was supposed to be, but what we were able to produce. Therefore, our key focus in 2023 is to ensure we beef up our capacity to be able to deliver both the set target and the demand of the market to avoid losing market share to competitors many of whom are targeting “the red one”

At the end of 2022, our tentative result shows an achievement of N14.4b representing 87% of the budget (N16.5b) and a growth of 21% against last year’s achievement of N11.9b. Although this result is not a bad one given the challenges of the year under review, the high cost of goods and operational costs meant that the bottom-line numbers were much less than what we recorded last year (product by product). The details of the P&L will be ready before the end of the month. Going forward, we are working hard to address some of the cost elements like renegotiating costs of raw and input materials where possible and taking a price increase where necessary, being mindful of where the competition is as we make the price adjustments.

STAFF WELFARE.

The Management is aware of the harsh economic situation and the impact on staff. We know that real inflation is a lot higher than what the official figures say especially with the price of foods in the market. At this point let me apologize for our inability to hold the Christmas party last year. We had to choose between holding the party and reducing the Christmas package for the staff especially the

bag of rice. Considering that prices had almost doubled we decided to still give the quantities we gave the previous year (2021) at the cost of not holding the party, based on the approved budget. I am however optimistic that we would be able to hold the party by the end of this year as it's always a pleasure to see our children come to see where you spend much of the time each day you rush out of the house and to get a chance to play with other kids.

As we all know this year is a salary increase year. During our budget process, we were able to make proposals to the Board on what we intend to implement, bearing in mind the rate of inflation and subject obviously to the JCC agreements. We will be keeping you informed of the final numbers during the first quarter. I also know that there have been some other suggestions on how to make the increase even better, and again Management is also considering those suggestions viz-a-viz our financial performance starting from this month - January, which is what makes it easy to get approval from the Board. We hope that the business will start performing well from this month so that we would be able to cover the impact of the adjustment we may choose to make without significantly impacting the bottom line, especially in Q1, 2023.

With the ongoing remodeling work at the old Foods factory, we hope to complete the new water bottling facility early in the first quarter so that it will also begin to contribute to our revenue and thus address the issue of our inability to meet customer demands for our Lily water. We are also making significant investments in maintenance, upgrade, and procurement of new machines to beef up the capacity of our paracetamol plant and the Pharmacentre to ensure we can meet the growing demands for our products. This is obviously in addition to some of the new liquid lines already installed at the Pharmacentre a few months ago.

2023 OBJECTIVES:

We made a presentation of our 2023 Business Plan and Budget to the Board at our Board meeting on November 22nd, 2022. The key focus of our 2023 budget is both the introduction of new products and the growth of the organic business. With the launch of the new BBU business and efforts to break into Sub-Saharan Africa, the Management took the bold step to challenge us to move this business to the next level.

Based on the above objectives, we have set ourselves an audacious target of N20b revenue and a PBT of N2b. The breakdown of the numbers is captured in the Business Plans of all the business units which I am sure will be shared by the business leaders and cascaded into the individual targets for 2023. This obviously will mean a growth of about 39% which is why I believe it's audacious, but I am very optimistic that given the immense support we have already received from the Board; in being able to address some of our capacity issues and staff requirements, we can deliver this target and thus get this company to the next level.

In line with the foregoing, and after serious deliberations on where we should be going as a company and with the support of many of you, we have chosen the theme for 2023 as "**BREAKING FORTH**" I want to thank many of you that made useful suggestions to the selection of the theme (we got 30 suggestions). To break forth simply means to be forcefully separated from the usual and moving forward in time, place, and degree. It is to be divided from the status quo and coming out in view into a higher place or position. It means to cross over, to break protocols, to command attention, to do exploits and to expand. It speaks to a forceful advancement in a positive direction and that's what our business needs now and that is what we have decided to do in 2023.

I know that what we intend to do will involve a lot of work and sometimes sacrifices but every effort made this year will be worth it. I am therefore calling on everyone from the least to the highest, to be motivated, determined and to put in your very best to ensure this target is achieved. You will agree with me that where we are as a company is not where we should be realistically. Each time I look at the results of some of our competitors; and knowing the pedigree of this great company, something tells me that we have dwelt on this level for too long and it's time to move forward - **Breaking Forth**.

In conclusion, I want to ask for your support to every member of your team and the management, to ensure that starting from this very month, we deliver on the set objectives, setting new records and breaking them to ensure we get this company to where it belongs. My promise is to continue to fight for staff welfare especially as you continue to give me the instruments to do that which is delivering very good results.

Thanks a lot.