



May 30, 2019

REPORT TO THE SHAREHOLDERS

The Board of Directors of LASCO Distributors Limited is pleased to present the audited results for the year ended March 31, 2019.

The company delivered strong top line revenue, invested in capital projects for future growth and commenced its restructuring exercise in service of accelerating future growth throughout the 2018/19 financial year.

The company delivered commendable results on its revenue performance with growth of 11.4% (\$1.88). Gross profit grew by 11.9% (\$377M) to close the year at \$3.5B, gross profit margins were basically flat at 19.6% and 19.5%; 2019 and 2018 respectively. Net profits however dipped materially compared to prior year by 40% (\$406M). The decline in net profits was heavily impacted by the one-off Pfizer payment (\$273M) received in the last financial year.

Operating expenses incurred in the period totaled \$3B, an increase of 20% (\$492M) compared to last year due to increased security and depreciation charges associated with the newly built warehouse space as well as increased marketing support, particularly in the liquid beverage category to support our continued drive to increase market share. We have also bolstered our sales team and fleet to expand our reach to smaller shops, bars and groceries.

At the end of the financial year, the company's non-current assets stood at \$2B, an increase of 24% (\$387M) over prior year. This increase was as a result of warehouse and logistics infrastructure. Inventories decreased by 1% (\$16M) over prior year to close at \$2.58. This has been helped by the near completion of the portfolio rationalization process which will be completed by the end of the second quarter of

the new financial year. Trade receivables increased by 3% (\$79M) compared to prior year, to close at \$2.6B due to continued drive to reach more customers who are benefitting from flexible credit terms. Trade payables decreased by 21% (\$754M) to close at \$2.8B driven by a mix of negotiations for early payment discounts and extended terms with key suppliers. Cash and short-term Investments, taken together, closed the period at \$1.5B compared to \$1.88 for the same period last year.

The annualized return on equity for the period was 11.5% compared to 22% in prior year. Basic earnings per share closed at \$0.17 in the current period and \$0.29 in the same period last year, while the annualized PE ratio was 21.83x and 14.1x in prior year. The company's market capitalization closed at \$13 billion and \$14.1 billion in the previous year.

We would like to thank all our customers, shareholders and team members for their continued invaluable support during this period. The needed transformation in business processes, structure and strategy will see LASCO Distributors entering the new financial year with a level of urgency to deliver the shifts required to significantly improve performance and return to the level of growth expected by our shareholders and other stakeholders.

A handwritten signature in black ink, appearing to read 'Lascelles A. Chin', with a long horizontal stroke extending to the right.

Lascelles A. Chin, O.J., C.D.

Executive Chairman