

REPORT TO OUR STOCKHOLDERS

GraceKennedy Limited is pleased to present our financial results for the year ended December 31, 2020. The Group realized revenues totalling J\$115.4 billion, an increase of J\$12.3 billion or 12% over 2019.

Profit before other income increased by J\$3.1 billion to J\$6.8 billion, an 82% increase over 2019, underscoring the significant and noteworthy strides made in improving the operating margin. Profit before tax for 2020 was J\$9.7 billion, a marked increase of 58.5% or J\$3.6 billion when compared to 2019. Profit after tax totalled J\$6.9 billion compared to J\$5.1 billion in 2019, an increase of J\$1.8 billion or 34.5%. These exceptional financial results did not include any one-off gains.

Financial Highlights include:

- Group Revenue for 2020 was J\$115.4 billion, representing an increase of J\$12.3 billion or 12.0% over 2019 (J\$103.1 billion).
- All business segments recorded increased revenue for 2020 compared to 2019.
- Profit before other income increased by 82%.
- Net profit attributable to the stockholders of the Company was J\$6.2 billion for 2020 compared with J\$4.5 billion for 2019, a J\$1.7 billion increase.
- Earnings per share was J\$6.28 in 2020 compared with J\$4.52 in 2019, a 38.9% increase.
- Total assets grew by 11.0% or J\$17.0 billion from J\$154.71 billion in 2019 to J\$171.7 billion in 2020.
- Dividends totalling J\$1.58 billion or J\$1.60 per share were paid in 2020 compared with J\$1.54 billion or J\$1.55 per share in 2019, an increase of 3.0%.

The Group was able to realize an outstanding financial performance and achieve success in the execution of our strategy, notwithstanding the challenges presented globally by the COVID-19 pandemic. We became more agile and increased our focus on our Corporate Social Responsibility activities in response to the impact of the pandemic on the communities we serve around the world. Emphasis was placed on the safety of our staff which included immediate activation of our Business Continuity Plan resulting in approximately 60% of our team members across the Group working from home.

Our customers and our key stakeholders, particularly our staff, remain the focus of our business and continue to govern the direction, and the success of our strategic imperatives. Our strategy in 2020, was centred on securing a reliable global supply chain, effective inventory management, improving our efficiency to better manage costs and providing new delivery channels and innovative solutions for our customers. Risk management and regulatory compliance were, and still are, key to the success of our business.

Following the establishment of our Digital Transformation and Mergers and Acquisitions teams, we are pleased to report progress in both areas, as the setup of our first Digital Factory is well underway and we are actively exploring a number of potential targets for acquisition.

Performance of Business Segments

The Food Trading segment recorded improved revenue and profitability for 2020 compared to 2019, due mainly to the outstanding performance of our international food business.

The performance of GraceKennedy Foods (USA) LLC (“GK USA”) in 2020 was excellent. GK USA recorded a triple digit increase in gross profit and marked growth in revenue. This includes the La Fe brand which achieved encouraging growth and improved margins. The Grace brand continues to report significant growth in revenue, attributed mainly to strong performances by Grace Patties, Jerk Seasoning and canned fish and meats. GK USA also benefitted from improved margins due to the successful implementation of operational efficiency projects. Additionally, the company achieved greater penetration in large retailers such as Walmart, Publix and Stop and Shop, which was reflected in both our revenues and profit. Importantly, the rate of usage for online shopping channels, such as Insta-Cart, accelerated significantly, in keeping with the general trend arising out of restrictions related to the pandemic. GK USA also hosted several community outreach events and staff welfare programs to support stakeholders.

Grace Foods UK Limited’s results were commendable with improvement in revenue and profit before tax, despite the negative impact of the pandemic on our food service aspect of our business. The gains made in the retail business however helped to offset that decline. The UK market also reported growth in sales of Grace branded products, as more consumers prepared meals at home and sought our trusted products. Nurishment in particular, one of our Grace owned brands, achieved double digit growth in sales year over year.

Grace Foods Canada Inc. (“GFC”) reported strong performance for 2020, growing revenues by double digits over the previous year. This market was also impacted by restrictions and lockdowns implemented across Canada. GFC continued to strengthen its relationship with numerous chains and independents to aggressively promote key products. Support for the community was also provided through donations to various Food Banks and by using social media to highlight small restaurants struggling through the pandemic. First responders and frontline health workers were also provided with Grace products in a show of appreciation for their efforts.

Our Jamaican food distribution business showed strong growth in both revenue and pre-tax profit, coupled with improved operating margins.

Our chain of Jamaican supermarkets, Hi-Lo Food Stores, recorded strong performance and remains dedicated in its pursuit of providing customers with an exceptional shopping experience by adapting to their changing needs. This included the expansion of curb side delivery options and the availability of e-commerce shopping. The renovation of our Cross Roads store was completed in 2020, and we will relocate to our new location in Negril in 2021.

Our manufacturing segment recorded commendable growth in revenue and double-digit growth in profit before tax. Grace Food Processors, our meat plant in Jamaica, reported an increase in exports which contributed to notable growth in both revenue and profit before tax. Several strategic partnerships were forged including those with the Food for the Poor in Jamaica and Nestlé. We also recently announced the impending merger of two of our Jamaican factories to capitalize on opportunities to drive growth, reduce costs and bolster our competitiveness. We maintained our partnership with Jamaican farmers by consistently purchasing their produce, providing much needed support to the local agricultural sector. This industry continues to grapple with the loss of major business following the temporary closure of many hotels due to the impact of COVID-19 on tourism.

The GraceKennedy Financial Group (“GKFG”) reported noteworthy growth in revenues and pre-tax profit for 2020 over 2019.

GKONE remains a strategic focus for GKFG and our first cashless store, which opened in the third quarter, has garnered considerable interest and support. We continue to seek opportunities for similar offerings, as the effect of the pandemic lingers, and clients require safe and efficient ways to transact business.

The Money Services segment experienced a strong year, reporting double digit growth in revenue and pre-tax profits over the prior year. The Remittance business delivered impressive results, particularly in the inbound market, highlighting the commitment of the Jamaican diaspora to their friends and families back home. GraceKennedy Money Services Limited (“GKMS”) continued its innovation initiatives which saw an increase of over 400% in Western Union digital transactions. Our strategic focus on growth is being supported by an increased presence through the expansion of our network in Jamaica and the Caribbean region through digital channels. One of the highlights of 2020 for the team was its participation in the Government of Jamaica’s COVID-19 Allocation of Resources for Employees (“CARE”) Programme, where 80% of recipients who chose remittance companies as their collection method chose Grace Kennedy Remittance Services Limited (“GKRS”). This resulted in over 118,000 payments being processed by us. Relief efforts undertaken in other markets, namely Guyana, Trinidad & Tobago, and the Bahamas, included donations of food baskets and sanitation supplies to NGOs and governments. GKRS in Jamaica celebrated its 30th anniversary in November 2020 a testament to the strong partnership we have enjoyed with Western Union over the years. The celebrations have continued into 2021, and as we look forward to the continuation and strengthening of our partnership with Western Union, we will be showcasing our digital services.

The Banking and Investments segment experienced challenges due to the decline in Jamaica’s economic performance as a result of COVID-19. First Global Bank Limited (“FGB”) realized growth in revenue but increased provisioning affected the growth in profitability. Focus was placed on strengthening the bank’s e-commerce platform and rolling out products to specifically address the needs of its clients to foster loyalty. The opening of over 7,000 accounts for previously unbanked Jamaicans in partnership with GKMS, as part of its Financial Inclusion strategy, marked a special achievement for the bank in 2020. Towards the end of 2020, FGB finalized plans for the launch of Global Access Plus, an upgrade of its online banking system, to provide greater reliability and convenience and which includes new features such as biometric scans for improved data security. FGB was proactive in its communication with its customers, and successfully hosted a virtual town hall discussion engaging a large number of clients. Other efforts to enhance our customer relationships included the granting of payment holidays and restructuring of loan facilities.

GK Capital Management Limited (“GKCM”) produced top line growth in the brokerage business and continued to offer clients bespoke financing solutions. GKCM remains a boutique investment house with strategic initiatives that include the building of a digital platform for products and services offered by the GKFG.

SigniaGlobe Financial Group, our merchant banking business in Barbados, performed well, recording an increase in pre-tax profits, despite a difficult local economic and operating environment attributable to COVID-19.

The Insurance segment reported strong revenue growth over the prior year. The segment continues to perform remarkably well with existing operations achieving growth and various new initiatives forming a base for future growth. GK General Insurance Company Limited (“GKGI”) reported double-digit growth in both revenue and profit before tax, achieved through the combination of commendable claim performance, diligent expense and investment management. The commercial portfolio also exceeded expectations as a result of keen relationship management with strategic partners. GKGI continues to expand its digital footprint with the addition of the “My

Portal” feature to the website, creating an opportunity for an improved client experience. Canopy Insurance continues to show growth in its health portfolio member base and closed the year ahead of its targets.

The newest member of the GKFG, Key Insurance Company Limited, reported encouraging results under the leadership of its new management team. Portfolio growth will remain its key strategic objective, and a marketing campaign to reconnect with its clients has been successfully launched.

Other Highlights:

GraceKennedy’s “We Care” ethos was evident throughout the year in all the communities we serve, in Jamaica and as previously reported, in our overseas markets. Our significant commitments have included donations to the Private Sector Organization of Jamaica (“PSOJ”) for the purchase of personal protective equipment for healthcare workers and ventilators for Jamaica’s health system, as well as the donation of digital devices to students and teachers in support of online learning through the “GK Cares-Tools for Schools” initiative. In December 2020 GraceKennedy Limited also partnered with the Jamaica Household Workers’ Union to donate tablets to the children of Jamaican household workers to support their online schooling.

Throughout the pandemic, the Grace & Staff Community Development Foundation has consistently supported vulnerable groups in the communities we serve through the distribution of care packages, while the GraceKennedy Foundation has been assisting Jamaican university students through its GK Campus Connect Food Bank. In 2020 the GraceKennedy Foundation also launched “Ace with Grace”, an online tutoring service catering to all age groups and providing much needed support to children navigating the new virtual learning environment.

In December 2020, GraceKennedy Limited was awarded several Jamaica Stock Exchange (“JSE”) Best Practices Awards including overall winner in the 2019 Corporate Disclosure and Investor Relations Category and first runner up for the 2019 JSE/PSOJ Corporate Governance and Website Award. These awards demonstrate that our Group is not only performing well, but also doing so in accordance with the highest standards, guidelines and best practices established by the Jamaica Stock Exchange and benchmarked against our counterparts around the world. These prestigious achievements have been made possible through the dedication and commitment of our strong and loyal team.

As we continue to navigate the uncertain environment created by the COVID-19 pandemic, we remain aware of, and responsive to, the needs of our team members, consumers and other stakeholders. We salute the resilience of our team, particularly our frontline workers, and are honoured and humbled by the unwavering support we received throughout a challenging year. Our Group’s outstanding financial performance is evidence of this support.

GraceKennedy remains steadfast in embodying our core principles of Honesty, Integrity and Trust and looks forward to continuing *#StrongerTogether* the valued partnerships with our stakeholders as we move closer to marking our 100th anniversary in 2022.



Gordon V. Shirley, OJ
Chairman



Donald G. Wehby, CD
Group Chief Executive Officer

February 26, 2021