



MINUTES OF THE ANNUAL GENERAL MEETING HELD ON TUESDAY, OCTOBER 6, 2021 AT 10:00 A.M.

BOARD MEMBERS PRESENT:

Mr. Winston Boothe (*Chairman*) | **Dr. Vincent Lawrence** (*Independent Director*) | **Dr. Dahlia McDaniel Dickson** (*Independent Director*) | **Mrs. Myrtis Boothe** (*Executive Director*) | **Mr. Kurt Boothe** (*Chief Executive Officer*) | **Miss Nikeisha Boothe** (*Manager, Business Development & Corporate Affairs*)

SPECIAL INVITEES PRESENT:

Mr. Raymond Hernandez (*Chief Financial Officer*) | **Mr. Gerard Whyte** (*Quality Assurance & Special Projects Manager*) | **Mr. Lenworth Murray** (*Divisional Sales Manager, Pharmaceutical*) | **Mrs. Antoinette McDonald** (*Divisional Sales Manager, Dr. Reddy's & Medical Division*) | **Mr. Louis Manning** (*Sales & Marketing Manager, Consumer Division*) | **Mrs. Nadine Banton** (*Administrative and Human Resource Manager*) | **Mrs. Tarin Montaque** (*Purchasing and Logistics Manager*) | **Mr. Berfino Gordon** (*Operations Manager*)

RECORDER:

Miss Natasha Anderson (*Executive Assistant*)

1.0 WELCOME

The Chairman, Mr. Winston Boothe, extended a warm welcome to members of the Board of Directors, the shareholders and guests in attendance following which he called the meeting to order at 10:12 a.m.

The Chairman noted that this was the Eighth Annual General Meeting of the Company since listing on the Junior Market of the Jamaica Stock Exchange in December 2013 and the meeting was being held in virtual format for the first time in accordance with an order of the Supreme Court of Judicature of Jamaica dated the 31st of May 2021.

2.0 APOLOGIES FOR ABSENCE

Apologies were made on behalf of Director, Mrs Sandra Glasgow who was unable to attend.

3.0 PRAYER

The Chairman invited Miss Nikeisha Boothe to open the proceedings by offering a word of prayer.

4.0 INTRODUCTION TO THE BOARD AND MANAGEMENT TEAM

The Chairman continued by introducing himself, the other members of the Board of Directors and the key members of the Management team who were in attendance.

5.0 PROXIES

At the request of the Chairman the Company Secretary confirmed that no proxy submission was received.

6.0 QUORUM

The Chairman confirmed the presence of a quorum of at least two (2) shareholders in person as required by the Articles of Association, and therefore declared the meeting open for business.

7.0 NOTICE OF MEETING

The Chairman announced that the Notice calling the meeting had been in the hands of the members of the Company for the prescribed period set out in the Articles and proposed a motion to accept it as read.

With there being no objections, the Notice was taken as read.

8.0 ANNUAL REPORT TO THE SHAREHOLDERS

8.1 CHAIRMAN'S REPORT

In his presentation on the performance of the company for the financial year ended March 31, 2021, the Chairman stated that it was a year of extraordinary challenges and uncertainty as the full impact of the COVID-19 pandemic on the global and local economic landscapes became more evident.

He noted that some of these challenges included the continued volatility of the exchange rate of the Jamaican dollar in relation to its United States counterpart, the reduction in government expenditure, the rise in unemployment and the combined effect on aggregate demand, all of which contributed to the economic environment which prevailed during the period.

Notwithstanding these adverse conditions which mainly affected the first two quarters of the financial year, the Company ended the year with mixed financial results, in so far as revenue and profitability are concerned.

Highlights of the financial performance for the period Under review were summarised as follows:

Revenues for the period showed a marginal decline, Gross Profit increased by \$40 million or 7.1% totalling \$598.9 million in 2021 compared to \$558.9 million in 2020. Total expenses increased by 9.8% to close the year at \$590.8 million compared to \$523.4 million in 2020.

This increase arose mainly from:

- i. The acquisition of an existing business and the related costs.

- ii. One-off initial costs of \$13 million which related to a change in our banking arrangements.
- iii. Foreign Exchange losses of \$11 million resulting from exchange rate fluctuations.

Net profit after tax - totalled \$62.08 million compared to \$34.06 million in the previous year.

Earnings per share of 0.26 cents compared to 0.13 cents in the previous year.

THE YEAR AHEAD

The Chairman emphasised the fact that the outbreak of the COVID-19 Pandemic has caused structural and operational changes to the way in which commerce and business functions, both locally and internationally.

In continuing, he noted that these changes are likely to have a long-lasting impact and as this environment becomes the new norm, MDS will need to re-evaluate its Sales, Marketing and Operational strategies while implementing appropriate technology solutions to facilitate virtual engagement.

As we go forward into the new financial year, we will continue to explore further opportunities to widen our product range, particularly in the Medical and Consumer Divisions of the company, in an effort to increase the Level of the Gross Profit percentage and in keeping with our business strategy of diversification.

At the same time, it is expected that the recent acquisition of a related business activity will not only allow for the increase in the overall growth in our own business operations but will also strengthen and consolidate our position in the Medical and Health Sectors of the Jamaican Economy.

Additionally, it is of great importance for the company to maintain its focus on its cost management and cost reduction efforts.

Despite the current challenges and uncertainties brought about by the COVID-19 pandemic we maintain a very positive outlook for the year ahead, but wish once again to recommit ourselves to:

- I. Maintaining a high standard of performance
- II. Improving or operating efficiency
- III. Increase shareholder value by providing appropriate return on investment

In closing the Chairman expressed special thanks to the members of the MDS team for their commitment and dedication and to the customers for their loyalty and continued support during the year.

He also thanked the Board for their continued stewardship and guidance in the transition to a more formal corporate culture and the adoption of a robust Corporate Governance Structure.

9.0 THE MANAGEMENT REPORT

The Chairman invited the Chief Financial Officer (CFO) and Chief Executive Officer (CEO) to provide highlights of the Management Report.

9.1 CHIEF FINANCIAL OFFICER'S REPORT

Financial Highlights for the year ended March 31, 2021

The CFO commended the Company's performance despite the challenges brought on by the Corona Virus and provided the following highlights:

- Total revenue amounted to \$2.42 billion, which represents a marginal reduction of 2.35% (\$58.3M) when compared to the total revenue produced in the previous year.

This was attributable to:

- The decline in economic activity caused by the onset of the global pandemic, COVID-19.
 - Deceleration measures caused a restriction in business activity island wide, primarily in the months leading to September.
 - Business activity started to improve during the third and fourth quarters of the year which resulted in higher revenues primarily in the pharmaceutical and medical divisions.
- Gross Profit of \$598.9M for the twelve-month period reflects a 7% or \$40.4M increase over the previous year. The year-to-date gross profit margin was 24.7%, up from 22.5% the previous year.
 - Total operational expenses for the one-year period amounted to \$494.3M, an increase of \$46.9M over the expenditure for the previous year.

This was mainly attributable to:

- Increased administrative expenses and selling and promotional costs.
 - Salaries, commissions, and other related expenses of \$267.2M increased by \$21.4M or 9% when compared to prior year. This was due to the addition of new staff in critical areas as well as increased effort to boost commercial activities
 - Professional fees increased over the prior year by \$8.9M. This was due to the need for external consultancies to close out opportunities in the market.
 - Utilities increased by \$8M when compared to the previous year due to higher telephone and electricity costs.
- Total non-operating expenses amounted to \$90.7M, up from \$76M at the end of 2020. A total of \$80.2M of that amount was spent on Finance related expenses due to one-off switching fees as the Company inked two new banking arrangements. Year-end foreign exchange losses were \$8.4M less than prior year.

- Despite the challenges experienced during the year, the Group's consolidated results showed a profit of \$69.6M. This is up from a profit after tax of \$35M in the prior year.
- Earnings per share of \$0.10 compared to (\$0.03) in 2020
- Total Group assets grew by \$546.8M or 32% from \$1.74B to \$2.29B when compared to year-ended March 31, 2020.
 - Increases in Property, Plant and Equipment (\$208.6M),
 - Intangibles (\$32.3M)
 - Inventories (\$282.2M)
 - Cash and Cash Balances (\$98.7M)
 - Trade receivables fell by \$72M
- Total Liabilities increased by \$363.4M or 40% from \$908.7M to \$1.27B.
 - Increases in Borrowings (\$238.4M)
 - Trade and other payables (\$66.2M)
 - Deferred tax (\$19.3M)
 - The increase in borrowings was used to facilitate growth and business expansion, particularly the acquisition. Shareholders' equity increased by \$183.4M or 22% from \$833.8M to \$1,017.1M.

9.2 CHIEF EXECUTIVE OFFICER'S REPORT

The CEO welcomed all in attendance to the 8th Annual General Meeting, of the company aptly titled 'Resilience', which he noted spoke volumes for the year in review, the challenges faced by the Company and overcoming these challenges through the tireless efforts of the MDS family.

SUCCESSION

The CEO noted that 2020 was a year of succession, as the then Managing Director & Founder, Mrs. Myrtis Boothe passed on the baton and bestowed him the title of CEO, He noted that the transition has been seamless due to deliberate planning and the long-term growth strategy and projection of MDS Board of Directors.

THE YEAR IN REVIEW

The year prior saw even more internal challenges from the exchange rate volatility, sudden global price increases which fought heavily against the gross profit margin, challenges with management as well as the effects from the rapid growth experienced since the start of the company, where the Company grew at a rate faster than which it could implement support systems.

He noted that while the growth was appreciated, it also meant that the company had to revisit the drawing board and employ its strategy of “*thinking inside the box*”.

In addition to the challenges, the company was hit with the COVID-19 pandemic just 3 weeks before the beginning of the new financial year. For the very first time MDS started the year in unfamiliar territory “in the red”.

He highlighted that during this period, MDS used the down time as an opportunity for a turn around and invested heavily in internal infrastructure, improved analytical systems, employing higher level staff, and restructuring.

He noted that while the company is considered a health provider, MDS was not immune to the effects of COVID-19, with hospitals prioritizing emergency cases, island wide lockdowns, shortened hours and the closure of doctor’s offices and medical centres all lead to a decline in revenue.

In assessing the situation, the team used the down time for expansion and preparation for post pandemic opportunities. An example of this was the expansion of the Consumer Division, even with the increase of staff and infrastructure the division faced challenges fighting for a share of wallet in a more discretionary income territory, the company proceeded with its plan to expand its portfolio which is now paying dividends. The Consumer Division portfolio currently has 14 product lines, which is on track to reap even further benefits based on a three-year projection. The company has expanded its reach into other channels modern trade, supermarket chains in addition to traditional trade.

This strategic direction not only provides diversification but also opens other channels that is in keeping with the company’s plan of becoming full-service distributors not only confined to the strictly defined health care segment of the market. The company will now look ahead to expand the over-the-counter drug line into the new channels which the company did not service prior.

The CEO reported that the company estimated breakeven by the end of the third quarter within nine months and announced that this however was accomplished in 8 months. He noted that the Company enjoyed a quarter of profitability and reaped new investments, where strategically maneuvering through the uncertainties of the pandemic from price gouging, price increases up to 1000%, uncertainties as to the availabilities of stock, the company was able to achieve 2% increase in revenue.

GROWTH AND ACQUISITION

The CEO noted that the Company continued its expansion drive and successfully negotiated the Company’s first acquisition. MDS acquired friendly rival, Cornwall Medical and Dental Supplies limited (CMDL), he commended the Directors for sharing the vision for the need for succession which benefited the company as this blended nicely with MDS’ need for expansion which created a symbiotic relationship.

Cornwall Medical and Dental Supplies Limited operated as a medical and dental distributor as well as the retail space and operated three pharmacies, two in Montego Bay and the third in Savanna-la-Mar. This was seen as an excellent addition to the company's growth strategy and as a result the formation of a new company and subsidiary of MDS; Cornwall Enterprises Limited which acquired the assets of Cornwall Medical and Dental. This now means that MDS has expanded its market share in the Medical division, pharmaceutical division, fast moving consumer goods division and dental division, all in a challenging year which speaks to the company' s resilience.

CORPORATE SOCIAL RESPONSIBILITY

The CEO noted that despite the challenges faced throughout the year, the company managed to give back through its Corporate Social Responsibility efforts such as the cleaning of the JUTC Transport Centre using the Disiclin products, contributing to the hospitality sector, as well the staging of the Continued Educational forum for the Pharmacists.

LOOKING AHEAD

The CEO noted that in looking ahead the company's focus is on stability and successfully integrating parent and subsidiary in not only the MDS culture but also the infrastructure and impart the benefits of corporate governance and mentorship from the MDS board.

He concluded by thanking the MDS family and shareholders for their continued support.

10.0 QUESTION AND ANSWER

The Chairman in opening the floor to Questions and Answers invited shareholders who were attending online to submit their questions and comments in the Q&A section of the online platform while, those attending in person would respond directly after raising their hand.

The list of questions along with answers are detailed in the Appendix to the minutes of the meeting.

11.0 AUDITED FINANCIAL STATEMENT (HLB MAIR RUSSELL)

At the request of the Chairman the meeting agreed that an abbreviated version of the Auditors report be read.

The Chairman invited Mr. Sixto Coy, the representative from HLB Mair Russell Grant Thornton, Mr. Sixto Coy, who presented an abbreviated version of the Audit Report.

12.0 RESOLUTIONS

12.1 RESOLUTION 1 | RECEIPT OF AUDITED ACCOUNTS

The following Resolution was read by the Chairman:

'That the Audited Accounts for the financial year of the Company ended March 31, 2021, together with the Reports of the Directors and Auditors thereon be and are hereby adopted'.

On a motion proposed by Dr. Dahlia McDaniel Dickson and seconded by Mr. Stephen Nelson, the resolution was put to vote and carried.

12.2 RESOLUTION 2 | RETIREMENT OF DIRECTORS – KURT BOOTHE

The following Resolution was read by the Chairman:

'That Kurt Boothe be and is hereby re-elected a Director of the Company for the ensuing year'

On a motion proposed by Mr. Lenworth Murray and seconded by Mr. Stephen Nelson, the resolution was put to the vote and carried.

12.3 RESOLUTION 3 | RETIREMENT OF DIRECTORS – NIKEISHA BOOTHE

The following Resolution was read by the Chairman:

'That Nikeisha Boothe be and is hereby re-elected a Director of the Company for the ensuing year'

On a motion proposed by Mr. Gerard Whyte and seconded by Mr. Lenworth Murray, the resolution was put to the vote and carried.

12.4 RESOLUTION 4 | DIRECTORS REMUNERATION

The following Resolution was read by the Chairman:

That the amount shown in the Audited Accounts for the year ended March 31, 2021, as fees to the Directors for services as Directors, be and is hereby approved.

On a motion proposed by Mr. Stephen Nelson and seconded by Mr. Gerard Whyte, the resolution was put to the vote and carried.

12.5 RESOLUTION 5 | RE-APPOINTMENT AND REMUNERATION OF AUDITORS

The following Resolution was read by the Chairman:

'That HLB Mair Russell was selected by way of tender and having consented to continue as the Auditors of the Company be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company'.

On a motion proposed by Mr. Stephen Nelson and seconded by Dr. Dahlia McDaniel Dickson the resolution was put to the vote and carried.

12.6 RESOLUTION 6 | OTHER ROUTINE BUSINESS

The following Resolution was read by the Chairman:

"To transact any other ordinary business of the Company that can be transacted at an Annual General Meeting".

On a motion proposed by Mr. Gerard Whyte and seconded by Mr. Lenworth Murray the resolution was put to the vote and carried.

There was no additional business to be transacted at the meeting.

13.0 CLOSING STATEMENT & TERMINATION

The Chairman thanked all the attendees for their presence and terminated the meeting at 11:35 am.



Tue. November 9, 2021

.....
CHAIRMAN

.....
DATE

**APPENDIX TO ANNUAL GENERAL MEETING HELD ON
TUESDAY, OCTOBER 6, 2021**

QUESTIONS & ANSWERS

Question 1

Online attendee Mr. David Rose noted that the Company's margins appeared constrained based on its product portfolio, he then enquired about MDS' plans to improve core earnings given the recent acquisition of Cornwall Enterprises Limited (CEL).

The CEO responded by highlighting that the Company's margins have improved over the past year in line and in keeping with where the margins have been traditionally. He noted that regarding the acquisition due diligence has shown that the gross margins are in line with MDS' margins and in some instances slightly ahead. He further noted that this is not a concern as much as it is looking forward to the company being fully integrated with will be realized in the medium term will see "it" feeding upwards to the parent company

Question 1b

Mr Rose then asked, specifically about the 4% operating profit margin and company net profit margin reported.

In responding the CEO noted that expanding profit and profitability is a priority for the company and plans to achieve this by growing the top line and expanding gross profit margins while maintain expenses overtime.

He noted that MDS is a company that constantly retools, and to remain competitive the company has made investments in additional staffing, improved infrastructure, IT systems and staff welfare. He explained that while these investments affect the bottom line, in the medium term, the company seeks to not only achieve economies of scale but also regulate expenses relative to growing the bottom line and gross profit.

Question 2

Mr. Rose commented on the Company's push to other distribution points other than the typical Medicine portfolio, he then enquired about the new portfolio types that will be considered by MDS and the possible purchase of additional space.

The CEO highlighted that as MDS name suggests, the company started by distributing mainly disposable medical items, then quickly expanded into the prescription and pharmaceutical drug area, with its primary customers from the Pharmacy network, medical centres, and hospital networks, however this was seen as limiting factor for a distribution company.

He further explained that if the company was to grow and expand it would not be wise to operate from such a limited space, as such the company transitioned from a medical company to a distribution company and with the expansion of the distribution channels, this in turn transformed the company into a distribution and marketing company.

He further noted that in establishing the Consumer division, the company saw opportunities to expand into wholesales, supermarkets, haberdasheries, beauty stores, small shops, restaurants, spas and in recent times expanded to large supermarket chains.

MDS has become a distribution company not limiting to the health care providers through the Medical Division, but also beauty items, through Beauty Brands by MDS, Confectionary and snacks and household items through the Consumer Division, while this is a smaller market segment this is an area with larger margins than we currently experience and with the addition of this subsidiary it gives greater presence in the western side of the island.

Question 3

Online attendee Mr. Peter-George Simon commented on the contracts issued by the National Health Fund in 2020 and questioned if the company has already seen benefits from these contracts in the financial results. He further asked if the company expected to benefit from increased government spending for health care in the future.

The CEO noted that the Company has seen some of those benefits and shared that MDS plans on capitalizing on these contracts in the future by making product offerings available to the Government.

Question 4

Mr. Simon then commented on the finance cost relating to the acquisition and noted that he has yet to see Cornwall Enterprises' contribution to profit, he questioned if the delay was due to the company not having commenced operation or whether the revenues have not been consolidated?

In response, the CEO noted that limitations brought on by pandemic slowed down the processing time for the transfer of assets as such this was not completed at the time of reporting, he noted however, the integration will be reflected at the next stage of reporting, however what the company will gain immediately is a greater market share which will pay dividend in the future.

He noted that the company's current focus is integration, stability and creating structure within the Company, he explained that MDS is strictly governed by its Board of Directors and the aim is to infuse a similar practice into the culture at Cornwall Enterprises, as with any acquisition/ merger there is a period of internal adjustment.

Question 5

David Rose asked:

“Why did MDS spend 28% more on inventories during the year? Trade receivables decreased which meant you allowed less credit during the year which indicated that you were possibly concerned with risks in the market. “

The CEO began by explaining that it is always the duty of the Company to be mindful of risk in the market when representing its shareholders. He noted that the increase could be attributed to uncertainties in the market, price gouging, as well as supply challenges due to borders being closed as a result of the pandemic. He further explained that in order to record sales the company needed to be able to acquire the stock needed and as such working capital was applied once the opportunity presented itself.

He noted that MDS capitalized on medical opportunities and bulk buying which allowed the company to secure the best prices.

Question 6

Mr. David Rose asked:

“How has MDS been affected by the various forms of inflation during the year? Have you been affected by the sea freight costs or are most of your expenses being passed onto you by suppliers?”

The CEO noted that managing inflation is a balancing act he further explained that in the business of caring it is important for the Company to remain mindful in ensuring that product prices remain affordable, however given the increased cost incurred by the Company, in some cases a price increase was unavoidable, and in some cases, this resulted in limited margins.