



It's All **GOOD** Inside!

DIRECTORS' REPORT TO SHAREHOLDERS – June 30, 2021

In 2020 our world changed dramatically, coming under siege from a pandemic that seemed to come out of nowhere, Covid-19. A year later we are still under siege and people are now wondering if things will ever get back to normal and are not quite clear what that "normal" will actually look like. The impact of the worst global pandemic in over a century has deepened, especially in countries like Jamaica that are dependent on tourism and its related industries. Against this backdrop, a stronger Fontana has emerged, having weathered one of its most challenging periods. Through strategic planning and careful execution, we have performed well and are pleased with the results shown in our audited financial statements for the year ended June 30, 2021.

Revenues for the past year were up to \$5.2 billion, a 14.2% increase over the \$4.5 billion of the previous year. The past 12 months have been challenging across the landscape of the country's economy, but in every quarter Fontana's sales growth outpaced that of the overall Jamaican retail sector. This is attributable to our strong brand, wide product range and superior customer experience.

The table below shows Fontana's sales growth per quarter compared with the PIOJ (Planning Institute of Jamaica) growth estimate for: Wholesale & Retail Trade; Repair and Installation of Machinery.

	Jamaica Retail Growth %	Fontana Revenue Growth %
Jul - Sep 20	(8.1)	20.9
Oct-Dec 20	(8.8)	10.3
Jan-Mar 21	(5.1)	4.2
Apr -Jun 21	13.2	25.2

Gross profit was \$1.9 billion, or 14% higher than the \$1.7 billion recorded in the prior year, and gross margins moved to 37.8% from 37.7%.

Operating expenses decreased by 2.3%, directly attributable to the reduced operating hours and cost containment measures in response to the pandemic. Operating profit grew by 76% to \$648m, as we were able to keep our operating expenses flat while revenues grew.

Profit before tax grew by 105.2% year over year, moving from \$264 million to \$541 million. Deferred taxation movements resulted in a net profit attributable to shareholders of \$512 million, an increase of 85.3% over the \$277 million earned in the previous year.

Cash flow has almost doubled, and cash balances continue to grow as we see improvements in revenues from all stores. Shareholder equity grew by \$312.4 million, an increase of 21% over last year, and Fontana has been able to make two dividend payments in the past year.

Net Assets increased by 10% mainly due to the ramping up of the inventories as we prepared for the logistic and supply chain challenges in foreign goods procurement. As goods become more and more scarce worldwide, shipping and other costs continue to soar. Fontana's proactive and preemptive moves to increase inventory will put the company in a position of strength for the coming year. As the current retail mantra goes - who has stock is king!

One direct impact of covid-19 on our operations is that we were again forced to postpone the revamping of our current Point of Sale and Accounting Systems. Both are over a decade old, and the planned upgrade to a modern state of the art integrated system will create significant improvements in both customer service and back-office efficiency. Originally scheduled for April 2020, pandemic realities meant changing logistics, and the planned implementation for 2021 has also been negatively impacted by continuing Covid complications particularly in the travel industry.

Overall, it was a record-breaking year for Fontana! We are humbled to have hit the \$5 billion revenue mark for the first time in our history, and to have paid out nearly \$200 million in dividends to you, our shareholders. We were able to pivot to meet the needs of our customers in one of the most difficult times in recent history and continued to give back to the community through various philanthropic efforts, the maintenance and rewarding of our tireless staff, and of course contributing to the state coffers and the running of the country.

We want to thank our dedicated team who went above and beyond to ensure that our customers were happy, and of course wish to extend our gratitude to our loyal customers. We are confident that as a resilient country, Jamaica will weather the covid crisis, and when the nation returns in due time to 'business as normal', Fontana will be well positioned to flourish along with it.



Kevin Chang
Director/Chairman



Anne Chang
Director/CEO