

ALLETTER  
 FROM  
 GERVASE WARNER  
 CEO.



## Dear Valued Stakeholders,

2022 was the 99th year of operations for the Massy Group of Companies, formerly Neal & Massy. Given the tumultuous environment in the world today, coupled with the success the Group has experienced in focusing on its three main Portfolios and success in international expansion, we have created a new vision for the Massy Group as it approaches 100 years of operations:

### “A Global Force For Good, An Investment Holding Company with a Caribbean Heart”

Several developments have inspired this new vision. First, we are called to expand our sphere of influence beyond the Caribbean Basin. We recognise that our Purpose and Values resonate with people from diverse backgrounds, religions, and races. Our Purpose and Values are grounded in the contribution of our people and their pursuit of fulfilment. Secondly, our focus on our three main Portfolios and our success with regional expansion and acquisitions of similar businesses has given us confidence that these are industries in which we have the operating excellence and the people leadership model that allows us to compete successfully in almost any market. Thirdly, with the success of divesting the non-core assets and unleashing growth in our core businesses, we are increasingly taking an investment management lens to the review of the performance and mix of the businesses in our Portfolios. Lastly, and perhaps most importantly, we recognise that Caribbean heritage and warmth are special. The heart and spirit with which Massy employees and operations approach doing business is unique; and brings out the best performance in our employees and builds customer loyalty.

As we approach the Group’s 100th year of operations, we have never been stronger or better prepared for the future. Most of the underperforming and non-core assets have been divested from the Group, with the most significant remainder left to be sold being non-core real estate in Barbados. The Group has never

been more profitable and our Balance Sheet has never been stronger. Operating Profit from Business Units grew by 25 percent from TT\$961 million (US\$143 million) in FY2021 to TT\$1.2 billion (US\$178 million) in FY2022. Profit Before Tax (PBT) from Continuing Operations grew by 11 percent from FY 2021 to FY 2022; growth was impacted by the underperformance of the overseas cash investments held by the Group in FY 2022 compared to the significant gains produced in those investments in FY 2021. The Group's Debt to Equity is down to 25 percent and in addition to its TT\$1.2 billion in cash at the end of the year, the Group has US\$176 million invested overseas to fund acquisitions and growth initiatives. The Group's governance has been strengthened with the creation of Portfolio Boards of Directors with Independent Directors and with increased autonomy and decision-making being implemented throughout our operations.

## Strategy Update

The Group's Corporate Strategy follows from the new vision statement and has three simple components:

- 1 **Growth and Global Expansion**
- 2 **Capital Management to Increase Value for Shareholders**
- 3 **Expanding the Depth and Sphere of Influence of our Caribbean Hearts**

## Growth and Global Expansion

Consistent with our new vision, the Group and its Portfolios are now setting their sights on global expansion. Having narrowed the Group's focus to our three main Portfolios in which the Group has distinctive operating capabilities and significant scale, and having divested US\$271 million of non-core and under-performing assets, the Group is well positioned to pursue global expansion. In each of our main Portfolios, we are finding opportunities to acquire private, independently run businesses in most countries we examine. The combination of our ability to further invest in these businesses, with our approach to listening to and empowering existing management, in tandem with our deep understanding of the fundamentals of running these businesses, allows us to grow and improve the operations of these acquisitions and produce attractive returns on our investments.

To lead the Group's global expansion, David O'Brien has been appointed Executive Vice President, Global Expansion for the Group. David recently retired as Executive Chairman of the Motors & Machines Portfolio and has been at the forefront of the

Group's international expansion. David will work closely with the Chairmen of our three main Portfolios to develop specific market strategies including building networks to generate credible target opportunities for global expansion of our three main Portfolios. These efforts will be augmented by the capabilities of the Corporate Strategy and Transactions Team in the Group to support broader searches, screening, and execution against target opportunities.

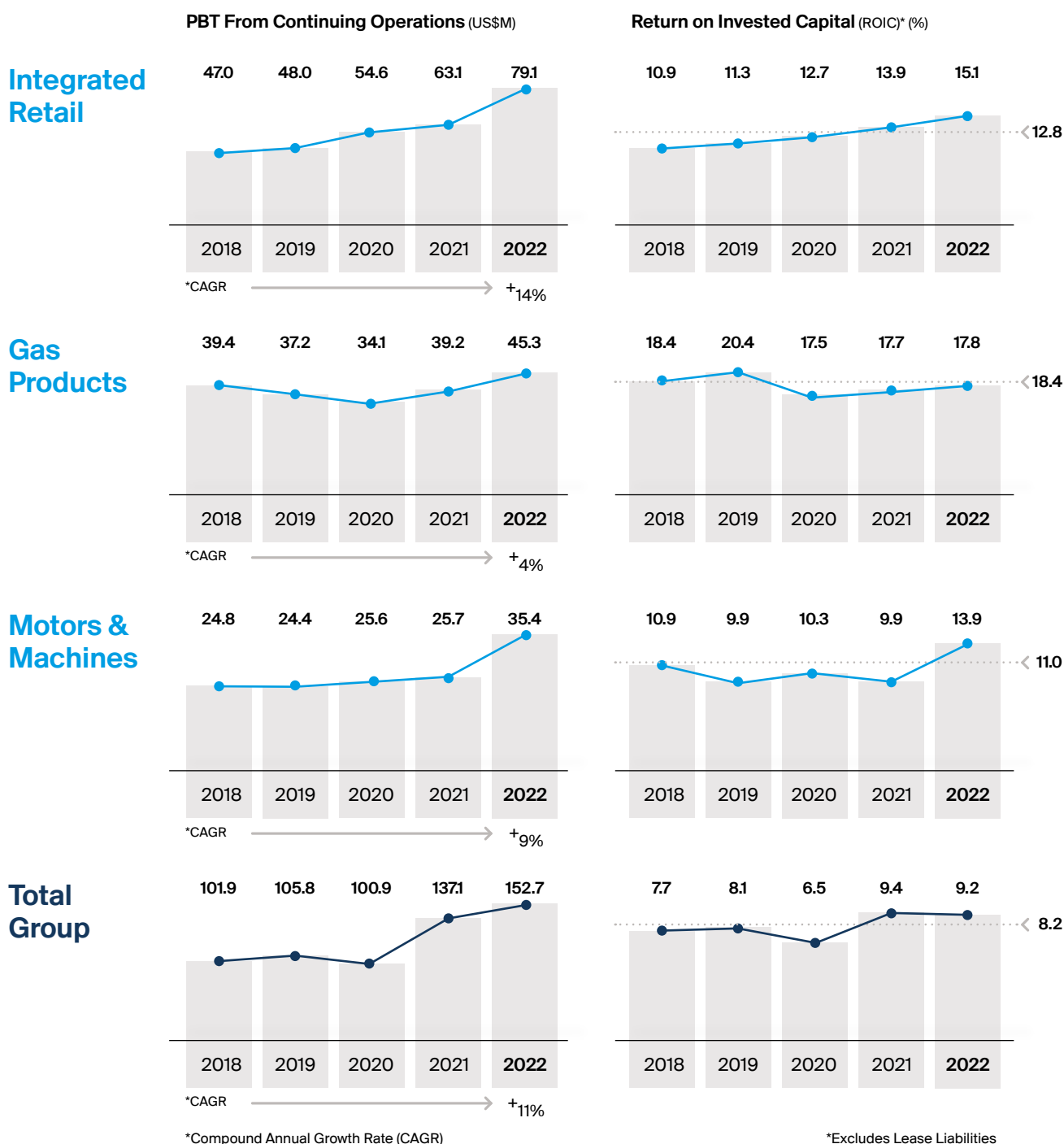
As each Portfolio considers international and global expansion, each Portfolio is developing strategies and working on opportunities arising from industry trends:

- **Integrated Retail Portfolio (IRP)** faces potentially disruptive trends from the use of technology e.g. online shopping and delivery, Just Walk Out stores (Amazon Go) and Consumer Big Data analysis. IRP has engaged Amazon Web Services (AWS) for a series of projects to provide a technology leap forward in its capabilities.
- **Gas Products Portfolio (GPP)** faces pressures from environmental concerns to the products in its business model. CO<sub>2</sub> and LPG are harmful to the environment. The GPP business model focuses on capturing CO<sub>2</sub> that would have been ventilated to the environment in high concentration and processing and distributing the gas to beverage bottlers for carbonated beverages. LPG distribution by GPP is largely a displacement fuel for charcoal and wood burning which are still used in some developing countries for cooking. LPG is considered one of the least harmful of the fossil fuels. Recognising the future challenges to fossil fuels, the GPP is also pursuing Renewable Energy projects to incorporate into its Portfolio.
- **Motors & Machines Portfolio (MMP)** faces disruptive forces from online car sales, increasing growth of electric vehicles and driverless vehicles. MMP's minority investment in an online used car sales platform (Curbo) provides the Group with access to critical technology and experience with this growing channel for car sales. MMP is the leader in electric vehicle sales in Trinidad and Tobago and will position itself similarly in Guyana and Colombia. The Driverless car trend is one to watch. At this point, the early adopting markets for delivery operators are in limited geographies.

Successful global expansion will require the Group to constantly monitor industry trends to ensure that we don't find ourselves expanding in old, soon to be disrupted business models. The Group must continue to pivot our operations as industry and technology trends usher in change.

## Capital Management to Increase Value to Shareholders

In 2019, the Group embarked on a strategy to extract capital from non-strategic and under-performing assets and direct more capital to the Group's three main Portfolios which both generate attractive returns on capital and have significant growth opportunities.



This strategy has been successful. The Group has generated the equivalent of US\$271 million in proceeds from divestments of which US\$191 million was collected in US currency and will be used to fuel international expansion. From the remaining non-core assets to be divested, the Group expects to extract another equivalent of US\$88 million but most of this will likely be collected in local currency.

The contrast between the performance of the Divested Funds Portfolio (DFP) in FY 2021 and FY 2022 is instructive. In FY 2021, the annualised return on the funds in the DFP was 15.3 percent. However, in FY 2022 the annualised return of the DFP funds was -4.6 percent. This compares to the stable and increasing returns of 11-18 percent achieved by our three main Portfolios over the last five years as indicated in the exhibit above.

**The heart and spirit with which Massy employees and operations approach doing business is unique; and brings out the best performance in our employees.**



The Group's risk/return profile favours investment in our three main Portfolios over internationally managed funds. However, we must be careful to deploy funds for sound Portfolio investments. To ensure this, the Group has strengthened our investment approval process with an enhanced set of standards and requirements for major capital and acquisition investments as well as two stage approval process by the Portfolio Boards and then the Massy Holdings Ltd. Board.

In addition to the DFP, the Group has several other sources of additional capital to fund its global expansion pursuits. First, the Group generates significant operating cash flow every year (2022 Operating Cash Flow was TT\$1,002 million) (US\$149 million). As mentioned above, the Group's Debt to Equity ratio is relatively low and the Group has additional capacity to borrow. Having cross-listed on the Jamaica Stock Exchange in 2022, we have received feedback that there would be an appetite for Additional Public Offerings on both the JSE and TTSE. In considering these sources of capital, the Group will examine cash flow and repayment risks against Return on Equity and EPS implications to make the most responsible decisions in sourcing and allocating capital.

### **Expanding the Depth and Sphere of Influence of our Caribbean Hearts**

We see that leading with a Caribbean heart has many benefits. It's more fun and fulfilling to live authentically at work and in the world. When people experience being cared for and more

so healed of external pains, they focus better, engage more, and perform more effectively. When communities experience authentic contribution and trust in an organisation, they reward the organisation with their loyalty. When people experience leaders and organisations who listen, admit and correct mistakes, they become more inspired to take responsibility themselves. Expanding the depth and sphere of influence of our Caribbean hearts is an important element of the Group's strategy. It is self-reinforcing. It improves employee engagement and customer loyalty which improves our ability to grow and bring more people into the energy of the Group. This in return provides fulfilment of purpose to our leaders and employees who can become more engaged and more willing to develop themselves as selfless leaders which restarts the positive reinforcing cycle.

That positive energy is evidenced in our interactions with our customers. There are so many instances across our Group of employees going above and beyond their job descriptions to care for our customers. Latorah at Massy Stores in Barbados searched the store until she could return a customer's handbag and Mark from Massy Gas Products in Guyana encountered a medical emergency when visiting a customer and promptly arranged emergency access to oxygen. Our people care for our customers, they take personal responsibility for customer care and they do what needs to be done.

Our people are inspired to take care of each other too. We are all inspired by Rosario who on retiring from Massy Stores in Trinidad has devoted herself to our Lessons in Female Empowerment



programme, championing and supporting every participant. That warmth, compassion and human to human connection is what we mean when we speak about our Caribbean Heart.

### **Continuously Expanding and Deepening Training for all Leaders**

The Group is continuously investing in helping all leaders, at all levels in the organisation, to go through the ongoing process of personal transformation, to lead openly and authentically and to provide the coaching and support for others to engage and participate in suggestions and decision making to make the company and the people we serve better. The Massy Learning Institute (MLI) plays a critical role in administering programmes within and outside of the Group as well as in adding new partnerships to deliver the best available learning opportunities to employees within the Group.

### **Tech-enabled Self-Care Resource Centre**

The Covid-19 pandemic and subsequent economic challenges have led to a mental health crisis in the region. We find more and more employees trying to cope with the increased pace of change required in business, the increased uncertainty in the world, challenges with rising costs, supporting family members and displacements from climate events. Addressing some deep issues to get to the source of the issues and move forward from a strong foundation is part of the work being carried out in partnership with an experienced Psychologist. This process is aligned to personal and professional development, productivity enhancement and linked to the cultural evolution required as we start Massy's second century.

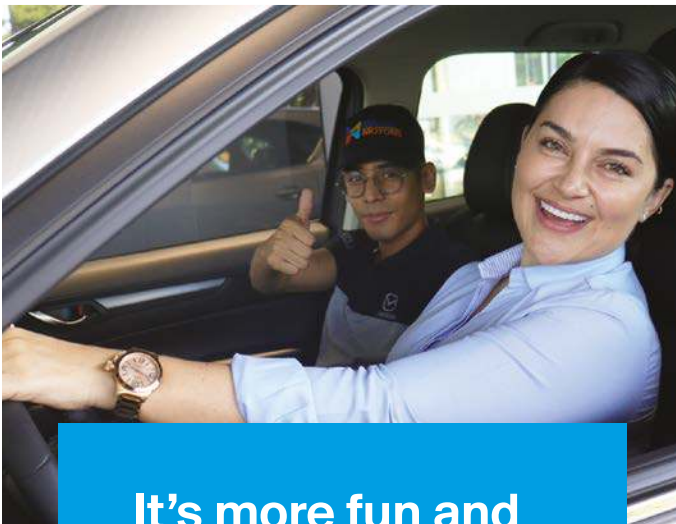
### **Impactful Social Outreach - Nudge**

As Nudge enters their third year of serving the regional Micro, Small and Medium Enterprises (MSME) community the organisation has supported the financial needs of the community by providing access to Nudge-issued grants, lines of credit, or impact investments. By consciously listening to community feedback and data, Nudge has been able to equip entrepreneurs with the tools necessary to continue growing and scaling sustainably. Over 100 brands were onboarded to the Nudge Market Stall Programmes in Trinidad, Barbados, and Saint Lucia, thus increasing these Entrepreneurs' sales and helping their businesses to grow. Nudge continues to offer MSMEs in the Caribbean the critical chance to take their products to retail with support from Massy Stores and other partners committed to empowering local talent.

More information about Nudge can be found in the 2022 Corporate Social Responsibility Report on our website at [www.massygroup.com](http://www.massygroup.com).

### **In Closing**

I would like to acknowledge Ian Chinapoo who resigned as Executive Vice President and Chief Financial Officer at the end of the financial year. Ian's experience and expertise were instrumental in supporting the Group's recent transformation. I extend my thanks and very best wishes to Ian in his new venture.



**It's more fun and fulfilling to live authentically at work and in the world.**

Vaughn Martin has been appointed as the Acting Group Chief Financial Officer until a suitable candidate is appointed to replace Ian. Vaughn will continue to Chair the Gas Products Portfolio while performing this interim role. I would like to thank Vaughn and the capable leadership team within the Gas Products Portfolio who have made it possible for him to take on this additional responsibility.

I mentioned previously that David O'Brien had retired as Executive Chairman of the Motors & Machines Portfolio at the end of September. David has been succeeded by Marc Rostant with whom he has worked closely for several years. Marc has made a significant contribution to the Portfolio's expansion into one of the leading automobile dealership groups in Colombia. I would like to thank David for his excellent stewardship of the Motors & Machines Portfolio, and to wish both Marc and David every success in their new assignments.

I cannot close without thanking our long-serving Chairman and our Board of Directors for their continued support and guidance. The diversity and wide and varied experience of our Board is a real asset to our Group. This is the last Annual Report that Mr. Bermudez and I will write together, as he will retire as Chairman in May 2023. I have had the privilege to benefit from his personal coaching and guidance since he became Chairman in 2014. Much of the transformation we have accomplished would not have been possible without his support and challenge.

Our employees continue to inspire us with their creativity, ingenuity, and the passion that they bring to the organisation. I wish to thank and acknowledge them for their commitment and contributions to Massy's success.

We are grateful for the loyalty and support of our customers, our shareholders and other stakeholders and we know that you will share our confidence and enthusiasm as the Group enters its 100th year of operations in 2023.