



**MR ABI AYIDA**  
CHAIRMAN

# CHAIRMAN'S STATEMENT

**D**ear distinguished shareholders, representatives of regulatory agencies, fellow Directors, guests and observers, esteemed Ladies and Gentlemen.

I am delighted to welcome you to the 61st Annual General Meeting (AGM) of our great Company, Berger Paints Nigeria Plc., holding today, 20th day of May, 2021, at the Company's Offices at No 102, Oba Akran Avenue Ikeja, Lagos.

I feel privileged to present to you, the report of our stewardship for the 2020 financial year. Additionally, the resolutions to be considered at the meeting and the rationale for these resolutions will be as detailed in the AGM Information Pack section of this report.

## **Changes to Board Composition**

During the year under review, Engineer Patrick Buruche retired from the Board effective December 31, 2020. The Board remains appreciative of his contributions to the Company for the entirety of his tenure.

Whilst outside the reporting period, it is noteworthy that three of the current Board members will be retiring at this meeting. They are Chief Musa Danjuma, Chief Nelson Nweke, and Mr Sanjay Datwani. They will be departing with several years of meritorious service under their belts. It has been my privilege to have them as colleagues and I and the Board are deeply grateful for their hard work and wise counsel over the last few years. The Board and indeed the Company owe them a debt of gratitude for their services to the Company.

Additionally, the Board has appointed Mrs Ogechi Iheanacho (Non-Executive Director effective January 2, 2021), Mrs Aisha Umar (Independent Non-Executive Director effective January 27, 2021), Mrs Erejuwa Gbadebo (Independent Non-Executive Director effective January 27, 2021) and Mr Victor Olusegun Adeniji (Independent Non-Executive Director effective February 16, 2021). The appointment of the three independent directors is in alignment with the provisions of the newly enacted Companies and Allied Matters Act 2020 (CAMA 2020), and best governance practices.

The Board's appointment of three new female directors was in recognition of their exceptional qualifications and to increase the Board's gender diversity. The appointments have thus improved the Board's gender diversity close to our initial target of 40% by the conclusion of the 2021 AGM. Our unrelenting drive for a more diverse workplace helps to attract a greater range of employees, leads to greater staff motivation and produces more innovative solutions to problems. It is a source of pride to extend this drive to the Board.

## **Appointment of a Chief Finance Officer**

As part of the Company's strategic drive to ensure effective financial strategies are implemented, the Board appointed a Chief Finance Officer in October, 2020, in the person of Mrs. Pheobe Onyinye Obi.

Mrs Obi comes with almost fifteen years of extensive local and international experience in leading Strategic Planning, Budgeting, and Corporate Finance for high-growth organisations. Prior to her appointment with BPN, she worked with Messrs KPMG Professional Services (KPMG) from 2009 to 2018, where she rose from Senior Associate to Management Level.

She also worked with the United Kingdom (U.K) based firm of Nomiworld/Sochitel Telecommunications Limited as Head - Compliance and Financial Controls.

She holds a Bachelor's degree in Accounting from the Babcock University Remo, Ogun State and a Master's Degree in Finance from the University of Lagos. She is a Member of the Association of Certified Chartered Accountants (ACCA) UK, and the Institute of Chartered Accountants of Nigeria (ICAN). She has several certifications including Professional Training and Certificates in Supervisory skills, Intermediate/Advanced Microsoft Excel and Financial Modelling, KPMG Global Risk Management Training, United Nations E- Course on Climate Change, amongst others.



# CHAIRMAN'S STATEMENT (CONT'D)

## Financial Results - Demonstration of Resilience

You will recall in my address to you last year, I had highlighted the emergence of significant headwinds in the business environment which coupled with the Covid 19 pandemic manifested in a unique set of problems that defied textbook solutions.

On a macroeconomic level, the decreasing value of the Naira has significantly impacted the prices of raw materials thereby putting more strain on the Company's cost of sales. The Company has also had to deal with scarcity of raw materials partly due to the disruptions in supply chain as a result of the pandemic and also the congestion at the ports.

A combination of the aforementioned factors contributed to a significant decrease in the profitability of most Manufacturing companies with a significant number declaring losses. The recent Gross Domestic Product (GDP) report released by the Nigerian Bureau of Statistics (NBS) revealed that the real GDP of the manufacturing sector contracted by -2.75% in 2020.

Having realised the impact the pandemic had on the company's financial projections, the Board and Management re-strategized and revised the Company's previously set budgets and forecasts for 2020 which had become of limited relevance, given the rapidly changed economic and business circumstances. A significant revision in revenue forecast, gross margins and working capital was thus undertaken to ensure the continuous sustainability of the business.

Notwithstanding the earlier negative developments impacting the industry, your Company was able to demonstrate a show of resilience in the year-end financial results.

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A review of the financial result showed that revenue increased by 7.1% from ₦3.58 billion in 2019 to ₦3.84 billion in 2020 driven by volume growth despite the shutdown in economic activities, disruptions and environmental unrest and the loss of sales for about 7 weeks in the year. Gross profit declined by 15% from ₦1.66 billion in 2019 to ₦1.42 billion in 2020 with gross margin of 37%, whilst Profit for the year declined 67% largely on the account of the decline in EBIT and finance income.

Free cash flow remained strong at ₦529 million, representing 34% increase from FY 2019. This shows that the Company remains healthy, resilient and still thriving in the current environment.

The market share of our brands remains strong and the Board remains committed to building shareholder value.

## Dividend

However, a proposed dividend of 40 kobo per share for the year demonstrates the company's unflinching commitment to its promises to the shareholders.

The Board is recommending, for your kind approval, the sum of ₦115, 929,379 to be paid out as dividend. This works out at the rate of 40 kobo per share which represents a 60 % increase in dividend paid in the previous financial year.

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# CHAIRMAN'S STATEMENT (CONT'D)

If the shareholders approve the recommendation, the dividend will be paid, less withholding tax, to shareholders whose names appear on our Company's Register of Members as at the close of business on Friday, April 30, 2021.

## **Business Continuity in Crisis Periods - Covid 19 and Endsars Protests**

The pandemic and subsequent Endsars civil unrest blindsided our strategic projections for 2020.

In the face of these unprecedented crisis, the Board demonstrated that the safety of the Company's personnel, clients and business associates was of utmost priority.

To ensure the Company remains a going concern, we reviewed our Business Continuity measures to guarantee our ability to provide service continuously to our customers with minimal disruption, without compromising the Berger paints Nigeria Plc's level of quality, efficiency and convenience.

We set up a COVID-19 Crisis management team to monitor the implementation of all internal preparations and response measures. This included communication, travel guidelines, hygiene, health checks, work procedures and general protection of personnel. Our contingency measures were aimed at limiting social contact and continuous testing in line with World Health Organisation's ("WHO"), guidelines and international best practices. All departments and units (excluding production) are fully equipped to work remotely if need be.

As part of the Board's foresightedness in leveraging technology for optimum performance, the Board had invested in technology prior to the outbreak of the pandemic to hold virtual meetings. This proved critical for business continuity as meetings were held seamlessly despite the crises.

As a Board, we are looking beyond the negative implications of the pandemic on our business and focused on the new opportunities presented by the crisis. We used the opportunity to undertake a robust and comprehensive review of our business continuity systems. The objective was to ensure our ability in the future to maintain production and business operations with minimum disruption in the event of crisis similar to the pandemic and the subsequent Endsars protests which may occasion our inability to continue production from our factory located in the Head Office.

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The Board was also able to partner with the Lagos State government through the donation of paints for the Covid 19 Isolation Centres. This was a demonstration of our commitment to not only our internal stakeholders but to the community in which we operate.

## **Corporate Culture & Diversity**

We recognize the value of diversity in our employee base who come from a broad and representative mix of background and experience, as different perspectives allow us to identify and develop new opportunities. We promote internal initiatives to support diversity and inclusion and realise we can only achieve our strategic objectives by building a sound reputation founded on the highest standards of responsible behaviour.

## **Separation of Internal Control and Internal Audit Functions**

In line with the Board's assurance given last year, the Board was, with the guidance of Messrs. PwC, able to successfully and seamlessly undertake the separation of the Internal Control and Internal Audit Functions. This was to further strengthen the independence of the Internal Auditor and ensure alignment with best governance practices and the COSO framework.



# CHAIRMAN'S STATEMENT (CONT'D)

## Regulatory Infractions

For the 2020 financial year, no regulatory infraction was recorded.

## Conclusion

Whilst 2020 was poised to be a great year after the successes achieved in 2019, we were unfortunately not cocooned from the effect of global and macroeconomic developments.

Nonetheless, although we are not completely out of the curve from the pandemic, we see light at the end of the tunnel and we expect to rebound stronger as we have put in place structures to navigate the turbulent economic waters successfully. I must commend the Board of Directors for the support and commitment shown in leading your company to deliver better returns.

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To our stakeholders, we say thank you for your constant show of support. We will not let you down and assure you of the Board's commitment to sustaining the highest standards of corporate governance practices now and always.



**Abi Ayida**

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**Chairman, Board of Directors**

