



# **GOOD SPIRITS HOSPITALITY LIMITED**

Annual Shareholders' Meeting

11:00 am 14th December 2020



## WELCOME:

**Chair:** Kia ora, good afternoon everyone and welcome to Good Spirits Hospitality's (GSH) Annual Shareholders Meeting. My name is Duncan Makeig and I am the chair of the GSH board.

Today we are very pleased to welcome you as online participants through our virtual meeting platform provided by our share registrar Link Market Services.

Due to the current COVID-19 pandemic, we thought it would be prudent to hold a virtual meeting rather than our usual physical meeting at one of our sites. The virtual platform while still provides for participation and engagement amongst our shareholders. You can vote and ask questions online. I'll provide you with further instructions as we progress through the meeting. If you encounter any issues, please refer to the virtual annual meeting online portal guide or you can phone the helpline on 0800 200 220.

## INTRODUCTION:

**Chair:** Before we formally begin, I would like to introduce you to my fellow Board members.

- Carl Carrington
- Matt Adams
- Geoff Tuttle (Director / CEO)

Also present today are:

- our CFO, Anthony Laus; and
- Andrew Christie, who is standing for election.

Representatives from our auditors, BDO Auckland, our legal advisors, Harmos Horton Lusk, and our share registrar Link Market Services are also in attendance.

## CHAIR'S ADDRESS:

**Chair:** Before moving to the formal items of business, I would like to provide you with a review of our activities in the year and thereafter Geoff will discuss the performance and operations of The Better Bar Company in more detail.

Firstly, on behalf of the board, I would like to again welcome you all to the annual AGM and thank you all for your support as shareholders.

The 2020 financial year began well for GSH with a refreshed strategy, the new venues continuing to perform above expectation's and the completion of the major development at Botany Commons.



However, the onset of the COVID-19 global pandemic during the second half of the year was a difficult time for all of us and has particularly impacted the Hospitality Industry in New Zealand.

Specifically, our venue's were closed or on restricted service for 17 weeks (4.5 months). Consequently, we had no Revenue for a significant part of the year, we faced pressure in regards to our cash flow and our ability to comply with our Banking Covenants that we could no longer meet. Just as importantly we wanted to keep and support our employee's during this difficult time and to ensure we could in fact reopen once things improved. We have had a year where we had to work very hard just to ensure the company survived the lockdown period.

During this time the Board met with management on a weekly basis to help minimise the impact on the business, the board and management agreed to significantly reduce their fee's and salaries through out the lockdowns, we secured a temporary suspension of the Banking Covenants and ultimately renegotiated the Pacific Dawn Facility Agreement, we have kept our staff employed and engaged and we have come out of this difficult year well placed to take advantage of any opportunities that may arise.

I would like to thank my fellow Directors and the Management team for their resilience, flexibility and ongoing commitment to GSH throughout the challenges of the COVID-19 pandemic and look forward to capitalising on the hard work done to achieve the results we aspire to.

### **Financial Results**

This challenging year with the impact of COVID-19 and the adoption of NZ IFRS 16 has effected the operating results. Key points to note include:

- Operating profit before impairment and IFRS 16 changes of \$1.44m (2019: \$1.19m), a 21% improvement on prior year. Major reasons for improvement include: Citizen Park + Union Post full 12 months EBITDA compared to prior year (two months EBITDA), Cost reductions (e.g. Rent free periods, Wages & Salaries (at 75% - 90% including the Board, pending lockdown level) during COVID, + Government wage subsidy received \$1.36m)
- Net cash from operations of \$4.8m (2019: \$2.3m), a 108% improvement on prior year
- The Group reported a net loss after tax of \$5.8m (2019: \$185k profit) for the year. The significant factors contributing to the reported net loss included the goodwill write down of \$4.9m and non-cash IFRS 16 adjustments of \$2.7m.

The Board's decision to impair goodwill and property plant and equipment reflects the ongoing uncertainty of the impacts of COVID-19 on GSH. It should be noted that the most significant factor in the impairment of goodwill is a change to the discount rate used in prior years. This change in discount rate is driven by the overall macro environment (especially global uncertainty caused by COVID-19) rather than any factors specific to GSH.



### **Funding**

As reference earlier we also completed negotiations with our lender, Pacific Dawn Limited to amend and extend its secured facilities, these negotiations were concluded on 24 September 2020. Key points under the new agreement are, the date for repayment of the facilities is extended to 31 July 2022 and the existing financial covenants have been removed, with new covenants to be agreed by 15 February 2021. There has also been an alteration to the break fee regime in the event that GSH decides to exit the facilities early. Depending on circumstances this alteration is worth up to \$1.5m to GSH.

The extension of time to set covenants is important as it provides us with the time we need to agree appropriate covenants once GSH emerges from the COVID-19 lockdown regime and trading returns to normal. The Board is pleased with the outcome of these negotiations, which gives the Group the opportunity to stabilise earnings in the wake of the recent COVID-19 related lockdown restrictions.

The 2020/21 year has already clearly demonstrated that it will be the most economically, socially and operationally challenging period that any of us will hopefully have to face. However, we remain excited by the significant opportunities that lie ahead for our Group. Unpredictability and uncertainty abound, but we remain well-placed to continue building New Zealand's leading hospitality provider.

I will now hand over to Geoff to discuss the operations of The Better Bar Company.

### **CEO'S ADDRESS:**

*[Geoff to move to podium and present]*

**Geoff Tuttle: Presentation** - (Update on The Better Bar Company)