

Registered Office

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GOOD SPIRITS
Hospitality



**Good People Good Times
Good Spirits**

20 December 2021

Annual General Meeting 2021 CEO Address

Good morning, everyone. Thank you for taking the time to log in and join us for the 2021 GSH Annual General Meeting.

2021 was an interesting year for GSH, characterized by dealing with the continued disruption of COVID-19, ensuring delivery of the most efficient results and preparing the group for transformational growth. As you all know the most material challenge to performance was the ongoing effects of the COVID-19 pandemic. The NZ Hospitality industry struggled, particularly in Auckland where the majority of our outlets are based. Our outlets were either closed or restricted in some manner for 11 weeks in the year. Outside of closures market conditions proved challenging with labour shortages, increased labour, supplier and landlord costs all materially eroding profitability. Government support through the wage subsidy and resurgence payments totalled \$943k, and whilst helping it did not mitigate total losses. I'd like to take the opportunity to thank our industry associations, Hospitality NZ and Restaurant Association NZ for their tireless advocacy on our and the industry's behalf.

Through FY21 management focused on maximizing profit during periods of trade and minimizing costs through periods of closure. Group cash balance at end of year was a healthy \$2.6M. Non COVID EBITDA trading was 6% above that of the previous year with reduced overhead expenses of 3%. FY22 revenue prior to lockdown delivered ahead of forecast. The board and management are very happy with financial performance in this manner.

As you will be aware our venues re-opened approximately two and a half weeks ago. Whilst it is fair to say that our industry including our venues have not had the frenetic re-openings we saw when we emerged from the last lockdown, I am pleased to say that we have seen increased trade over this past week. Whilst a very small sample size, this demonstrates what we consider to be the pattern that will emerge being a slower build-up to full capacity trade but a build-up that will get there. As Auckland first moves to the Orange Traffic light on 30 December 2021, which means little to no restrictions to our capacity, and then further into the future as our borders re-open, movement around New

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Zealand returns and we see the return of international tourists and backpackers, the industry will recover and return to its past glory.

Through FY21 the board and management focused on the groups short/medium term strategic plans. As mentioned through previous announcements our goal is to grow GSH to become NZ's No 1 On Premise Hospitality Operator. We felt a key steppingstone in delivering this was to secure the foundations of the group and ensure the future performance of our high performing current stable of outlets. As such, since our last meet material upgrades have taken place at The Cav, Danny Doolan's, and Union Post. We expect to complete similar works at Citizen Park and Doolan Brothers Ellerslie in the next 12 months. We are excited to see the fruits of these works come to fruition, particularly in a COVID free trading environment.

To compliment this, in the first half of FY22 the board and management secured a new lease at a premium location on Auckland's Viaduct. As you are aware GSH currently has presence on the Auckland Viaduct which is considered New Zealand's No 1 Hospitality precinct. We see adding to this as a strong strategic move, providing operational synergies and adding material profitability to the group. On December 3rd, in line with restrictions easing, GSH opened its newest venture "The Fox – A London Pub" at the site. We will now show you a promotional video to introduce those who have not had the opportunity to visit our latest offering.

In addition to working to solidify current group assets, the board and management undertook to identify and secure what we consider a transformational acquisition for the group which would give the group the scale and asset diversity the group has previously lacked. A key part in our strategic plan, we identified The Nourish Group, a national restaurant and bar operator as said acquisition. As you will know we have announced a conditional agreement to purchase the Nourish Group and intend to complete this transaction in the 4th quarter of this financial year. We are extremely excited to work alongside Nourish Group with the combined goal of growing the group further. Nourish Group are leaders in class, and we consider them gold standard assets to add to our portfolio. Nourish Group will provide GSH with an expanded brand portfolio, an entry into the restaurant and social dining segment, whilst geographically diversifying such that we become the national operator we have had aspirations to become. We will be delighted to welcome Nourish Group's wealth of talent including but certainly not limited to Founder, Richard Sigley, who will join us in an Executive Director capacity, current Nourish Group

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CEO Mark Williams who will join us as new group COO and Gareth Stewart who will remain Nourish Group Executive Chef. Upon completion of the deal we see many operational and financial synergies across the new group. We look forward to implementing these as efficiently as possible whilst working together to leverage learnings from each other and produce a more rounded and better performing group. Personally, I see this acquisition as the transformational opportunity which provides GSH the ability to realize its full potential moving forward and pursue further growth above and beyond Nourish Group.

I would like to save my last mention for the wonderful staff of GSH. GSH's primary focus is the customer's experience and without the many talented staff we have – from our bar staff to kitchen porters at our venues to our head office team to our board and management – this customer experience would be impossible to deliver. Our venues are just that – venues – without our staff to create the character and environment that sees our customers return again and again, throughout all the challenges of the past twelve months our staff have remained engaged and willing to go above and beyond to ensure our group performs as well as it can. I thank each and every one.

In conclusion 2021 was a challenging year. Our industry has struggled as a whole due to challenges not of its own doing. The board and management are confident that the COVID19 crisis is a short-term problem and New Zealand will begin to see the evidence of this as Auckland moves out of lockdown and towards the Orange traffic light on December 30. We have spent the period since our last meet managing our business as efficiently as possible, ensuring to pivot through these uncharted waters and most importantly preparing to come out the other side stronger. We have secured the foundations of the group, delivered an exciting new offering to the public and have tabled a transformational acquisition for your consideration. We look forward to unrestricted trading in the near future delivering exceptional trading as a result.

Again, thank you for your time. I will now pass you back to the chair.

Thank you.

END

For further information, contact:

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About Good Spirits Hospitality Limited: Good Spirits Hospitality is a NZX Main Board-listed investment company focusing in the Hospitality sector (NZX: GSH). Good Spirits Hospitality Limited owns and operates hospitality venues in New Zealand's North Island, providing places to connect with others and world class standards to provide lasting and memorable experiences to our guests and customers.

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