

## Registered Office

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Ground Floor, Building B  
Ascot Office Park  
95 Ascot Avenue  
Greenlane 1051

**GOOD SPIRITS**  
*Hospitality*



**Good People Good Times  
Good Spirits**

20 December 2021

### **Annual General Meeting 2021 Chairman's Address**

Ladies and gentlemen, let me again welcome you all, on behalf of the board, to the annual AGM and thank you all for your support.

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 Company.

It will be of no surprise to you all that the resurgence of COVID-19 during the year and resultant restrictions has again affected results. Tourism and hospitality Industries throughout New Zealand have been affected, and none more so than Auckland, where the majority of our operations are.

Today marks 19 weeks of restrictions since the Covid Delta restrictions were imposed. Since February 2020, Covid measures have meant our business endured 45 weeks of restrictions.

In respect of this financial year, our venues were closed or on restricted service for about 13 weeks. Consequently, we had no Revenue, apart from government wage subsidies used to pay our employees, for a significant part of the year. Our cash flow was under pressure affecting our ability to maintain our venues and to comply with our Banking Covenants. Fortunately, we have had the support of the majority of our landlords, suppliers and especially our lender who has waived certain conditions in respect of these as well as timing of interest payments. The support of all of these parties has assisted us with managing our working capital.

During this time, we initiated our COVID response plan, removing and trimming costs from the business where possible, negotiating supplier payment terms and rent relief from landlords, and agreed with our lenders measures that recognised the impact of the Covid restrictions. The Board regularly met with management to help minimise the impact on the business, and especially our employees. We continue to prioritise the wellbeing and

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safety of our employees, supporting them during this difficult time, so they could return to work when the time came.

We again have had a year where we had to work very hard just to ensure the company survived the lockdown period. We have availed of the government wage subsidy support, without which we would not have been able to keep our staff employed and engaged. We are not out of the woods yet, operating under the current Red Traffic Light under the Covid Protection Framework; we look forward, and encourage the government, to fully reopening soon so we can continue to provide memorable experiences to our guests. In that regard we are very pleased to see that Auckland will join most of the rest of New Zealand when it moves to "Orange" on December 30 so that capacity restrictions will be removed for vaccinated patrons.

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 building further on the hard work done to achieve the results we aspire to.

Financially FY2021 has been a challenging year for the Group, with COVID-19 continuing to impact the business during the year via venue closures and the lack of overseas tourists. Despite these challenges, the Group rebounded strongly post 2020 and the February / March 2021 lockdowns and was outperforming its forecasts prior to this current COVID-19 lockdown in New Zealand. The strong results achieved when trading demonstrates the strength of the underlying business.

Revenue from continuing operations was down less than 1% from the previous year, primarily due to COVID restrictions. The Group reported a net loss after tax of \$5.8m for the financial year, the same as the previous year. The significant factors contributing to the reported net loss include:

- COVID-19 affected trading due to the closure of venues; and
- the application of accounting standard IFRS 16 having an impact of ~\$2.5m; and
- impairment of goodwill and Right-of-use asset totalling \$5.7m.

The Board's decision to impair goodwill reflects the communication received from the landlord of the O'Hagan's venue, an entity 50% owned by one of GSH's major shareholders, that the lease will not be extended past the expiry date, Dec 2022.

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It should be noted that GSH received just over \$900,000 in wage subsidies in the 2021 financial year, compared with nearly \$1.4 million in the previous year, all of which has been fully passed on to employees.

Also, we successfully completed negotiations in September with our lender, Pacific Dawn Limited, to amend and extend our secured debt facilities with them to December 2022.

While the Auditor has alluded to material uncertainties due to Covid, the Board of Directors consider that there is reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future.

We are all cognisant of the history of our Company in which we have all invested in one way or another.

The company finds itself at a crossroad. Whilst the board and management have, for the last few years, sought to restructure, refocus and improve the underlying performance of the business, the debt structure we inherited, together with the forced closures of our venues, has been difficult and taken an enormous effort from everyone involved in this company as well as the support of our bankers to simply keep the company afloat. It is not possible to cost cut our way out of our Balance Sheet challenges. We must grow in order to transform Good Spirits Hospitality into the company we would all like it to be. Accordingly, it has been our focus as a board to identify opportunities to grow our revenue base and earnings without proportionally growing our debt.

We believe we have found that opportunity with the acquisition of the Nourish Group, which we have successfully completed due diligence on with our legal and accounting advisors: It adds 10 venues to the Group's portfolio, including the iconic Soul Bar and Bistro, and will double our revenue and profitability, provide geographic and concept diversity, build our people capabilities, and create one of the largest hospitality groups in NZ. This will deliver a strong platform from which we can continue to grow and leverage that scale across NZ.

You will of course be given the opportunity to vote on all of these matters at our upcoming Special Meeting of Shareholders, likely to be in March 2022. The reason I wanted to raise this today is to give you some sense of the importance of this transaction

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to GSH, how much time has gone into identifying and securing the Nourish Group and how it provides what the Board believes is a unique opportunity for us that may be difficult to replicate with any other group in NZ, and hence we would like to secure your support for this significant transaction.

The NZX has approved Peter Simmons of Simmons Corporate Finance as the Independent Expert to prepare a report opining on the benefits of the transaction for shareholders. The Independent Expert Report would accompany the Notice of Special Meeting of Shareholders. The board is also considering alternatives that will allow current Shareholders to further invest in GSH if they so wish details of which would be provided to shareholders as soon as possible.

Significant opportunities lie ahead for our Group, but unpredictability and uncertainty abound. A successful acquisition of the Nourish group will have us well-placed to become New Zealand's leading hospitality provider.

We look forward to seeing you in March next year, 2022, to set this new journey in motion for Good Spirits Hospitality.

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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