

Registered Office

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GOOD SPIRITS
Hospitality



**Good People Good Times
Good Spirits**

NZX Market Release

25 February 2022

Good Spirits Hospitality Limited (NZX: GSH) reports its financial performance for the six-month period ended 31 December 2021

GSH announces its Half Year result for its six months trading through the uniquely challenging disruption caused by the COVID-19 outbreak. As with many businesses, we have been particularly hard hit by the restrictions imposed in respect of COVID-19. The recent six-week financial relief package announced by the government indicates an expectation the country will be past the peak of Omicron infections by mid-April.

The reported loss before tax is due entirely to the government-imposed restrictions throughout the reporting period and their impact on the ability to operate, particularly during peak season. The lockdowns in our key Auckland market and isolation requirements have impacted on operations resulting in forced or unplanned venue closures, supply chain concerns, wage and price inflation, tight labour market and contributing to the hesitancy of the public to attend hospitality venues.

The uncertainty of the unknown duration of restrictions and the conditions in which tourism and regular patronage can resume pose a significant threat to the industry. This has led us to regularly and frequently assess our ability to continue to operate within these mandated settings. The Company availed itself of the wage subsidy and utilised its debt funding facility to provide working capital through this period, including the capitalisation of interest as an interim measure to help manage cash outflow until such a time as trading conditions return to a sustainable level. The Company also borrowed to fund the Fox acquisition. The combination of the increased debt and operating losses for the period has resulted in a negative net assets position in this interim reporting period.

During the year the Company successfully launched The Fox, a London pub, in the Auckland Viaduct, and completed due diligence and entered a conditional offer to acquire the Nourish Group. We are also planning the relocation of O'Hagan's bar and investigating other opportunities for growth which we hope to be able to announce in the near future.

Having successfully launched a new venue during the period and being fortunate to have retained a number of our core people, we are well placed to scale our operations back up as soon as restrictions abate.

While the Half Year reporting period has been severely affected, this will pass and we look forward to the restrictions coming to an end, at which time we believe we will be well placed to capitalise on

Investor Enquiries

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GSH's compelling market offering together with Nourish Group acquisition opportunity and other opportunities to grow that will present themselves in future.

FY2022 Half Year results overview:

	6 months to 31-Dec-21 UNAUDITED	6 months to 31-Dec-20 UNAUDITED	12 months to 30-Jun-21 AUDITED
Total Revenue including wage subsidy	7,938	12,226	24,422
Operating loss before significant items	(2,384)	(129)	(336)
Profit / (loss) before tax	(3,650)	(147)	(5,824)

Key points include:

- During the period the Group's venues were closed for 3.5 months and traded with restrictions on patronage for one month under the Government imposed COVID-19 public health measures
- Disruptions to trading and operations as a result of these measures have severely impacted revenue and profitability during the six-month period, and continue to do so while in force
- Net cash from operations, including the wage subsidy and IRD resurgence support payments, of \$0.1m outflow (2020: \$1.6m inflow)
- Total Debt has increased in the six-months by ~\$3m to fund acquisitions and, with the support of our lenders, provide working capital throughout COVID-19 restrictions and capitalisation of interest
- The Group reported an unaudited net loss after tax of \$3.65m (2020: \$0.1m) for the six-month period. The significant factors contributing to the reported net loss include:
 - COVID-19 disruptions forcing restrictions on patronage and even the closure of venues, restricting trading during and throughout the reporting period
 - Labour cost pressures from added health and safety measures, labour market shortages and an increase in minimum wage
 - Due diligence costs in respect of the proposed Nourish Group acquisition
 - Acquisition of new Auckland Viaduct venue and development of the all-new The Fox, a London pub
 - Debt funder Pacific Dawn providing a further \$500k in funding from previous approved facilities and waiving, but capitalising, the December 2021 quarterly interest payment of \$556k.
- No interim dividend is declared.

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ACQUISITION ACTIVITY

In line with our stated growth strategy, and as announced in November 2021, GSH has entered into a conditional agreement to purchase the Nourish Group. This acquisition will add ten venues to the Group, providing an unmatched portfolio of talent, scale and mix of hospitality experiences right throughout New Zealand. Directors and management continue to seek opportunities for further growth. The underlying operations of the Group, its proven repeatable concepts and brands, are well established and provide a good base to allow the Group to take advantage of opportunities when they arise.

ACKNOWLEDGMENTS

The GSH directors would like to acknowledge the efforts of all staff in the GSH Group especially for their hard work, dedication and flexibility in regard to managing the disruption affecting both them and the GSH Group operations because of the public health measures in respect of the COVID-19 pandemic and associated shutdown of venues and managing mandated health protocols to keep people safe.

Finally, the GSH directors appreciate the support of all shareholders as your Board works to create value for all shareholders.

ENDS

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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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