

NZX Release

29 August 2019

GSH Preliminary results announcement for year to 30 June 2019

Good Spirits Hospitality Limited's (GSH or the Group) preliminary results for the year to 30 June 2019 (2019) reflects a turnaround year in which we have stabilised the business and generated positive momentum in our hospitality growth strategy. We are building New Zealand's leading hospitality group and are investing in our people for growth. We repaid \$1.7 million of the Group's Nomura Facility A debt during the year, made a drawdown of \$4.7 million to fund business acquisitions and capital expenditure, generated positive operating cashflows and lifted our trading earnings¹ as discussed below.

In line with our growth strategy the Board has taken a proactive approach in looking at our portfolio of venues. The Group purchased two new sites in the year, the Citizen Park bar in Kingsland and the Union Post bar in Ellerslie. Both of these sites have performed ahead of our expectations and we have been able to achieve increased trading earnings and realise the synergy benefits expected. The Group has also commenced a major redevelopment of our Doolan Brothers Botany site after year end, to refit it as a Gastro pub, similar to The Cav or Citizen Park. The Doolan Brothers Lynfield site, which has underperformed for a number of years was sold.

NZ GAAP result

The Group reports audited revenue of \$25,429,189 in 2019, compared to \$23,805,840 in 2018, or an improvement of 6.8%. Net profit was \$512,201 in 2019, compared to a net profit of \$4,497,876 in 2018. The net profit in 2018 was bolstered by a gain on sale of the Mad Butcher franchisor business of \$6,294,334, with other discontinued operations incurring a net loss of \$(1,457,887). The profit for 2019 from continuing operations was \$535,312 compared to a net loss of \$(338,571) in 2018.

Operating cash flows were \$2,196,700 in 2019 compared to \$(1,420,847) in 2018.

Non GAAP result

The Group's underlying net profit after tax for continuing operations prior to significant items (Underlying NPAT)² was \$1,118,148 in 2019 compared to \$1,457,530 in 2018. This is a decrease of \$(339,382) or 23.3%. The decline was due to an increase in the finance costs to \$(3,109,907) in 2019 compared to \$(1,522,524) in 2018.

¹ Trading earnings or EBITDA before significant items is earnings before interest, tax, depreciation and amortisation before significant items. Please refer to the Appendix to this announcement.

² Underlying NPAT for continued operations is net profit after tax from continuing operations excluding significant items.

Significant items incurred in 2019 consists of restructuring and advisory costs of \$(188,830), compared to \$(836,931) in 2018, goodwill write-off of \$nil compared to \$(613,087) in 2018 and fixed asset write-off of \$(255,651) compared to \$(613,088) in 2018. The fixed asset write-off of \$(255,651) relates to our Doolan Brothers Botany venue. In 2019 we incurred acquisition costs of \$(345,216) and reported a profit on sale of Lynfield of \$87,494.

Our trading earnings or earnings before interest, taxation, depreciation and amortisation (EBITDA) before significant items was \$5,275,786 for 2019, compared to \$3,933,419 in 2018, or an improvement of 34%.

GSH's Revenue of \$25.4 million compares to the guidance range provided to the market on 27 February 2019 of \$24.5-\$25.5 million. EBITDA prior to significant items was \$5.3 million compared to the guidance range of \$5.2-\$5.4 million and Underlying NPAT was \$1.1 million compared to the guidance range of \$1.2-\$1.3 million.

A reconciliation of the Group's reported results complying with generally accepted accounting practice (GAAP), from our Underlying NPAT, is as follows:

	Year ended	
	30 June 2019 \$000	30 June 2018 \$000
Underlying NPAT from continuing operations prior to significant items	1,118	1,458
Significant items (net of tax):		
Fixed assets impairment	(184)	(441)
Goodwill impairment	-	(613)
Acquisition costs	(306)	-
Gain on sale of Lynfield	63	-
Gain on sale and leaseback expense	-	(139)
Restructuring and advisory costs	(156)	(603)
Net profit/(loss) from continuing operations	535	(339)
Discontinued items (net of tax):		
Trading losses of Mad Butcher stores	-	(690)
Impairment of Mad Butcher stores	-	(642)
Trading profits of the Mad Butcher Limited	-	824
Impairment of the Mad Butcher Limited assets	-	(887)
(Loss)/gain on sale of the Mad Butcher Limited after costs	(23)	6,294
Loss on disposal of Nosh including sales costs	-	(62)
Reported net profit for the year	512	4,498

Audited accounts

The financial statements attached are audited and the auditors have issued an unqualified opinion, with an Emphasis of Matter over the going concern assumption. The Directors have disclosed a material uncertainty in regard to the Gearing Ratio covenant that exists in note 1 and this is fully explained in detail.

Whilst material uncertainties exist, the Directors consider that there is a reasonable expectation that the above covenant can be met. Taking all factors into account, the expected financial performance of the Group and the positive operating cash flows, it is the considered view of the Board that the Group is a going concern.

No dividend

The Board has resolved that no dividend will be declared for the year ended 30 June 2019.

For further information, contact:

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About Good Spirits Hospitality Limited

Good Spirits Hospitality is an NZX Main Board-listed investment company focusing in the Hospitality sector. GSH acquired The Better Bar Company group business in November 2014.

www.goodspiritshospitality.co.nz

APPENDIX**Non-GAAP profit measures**

GSH's standard profit measure under New Zealand GAAP is net profit. GSH has used non-GAAP profit measures when discussing financial performance in this announcement. The Directors and management believe that these measures provide useful information as they are used internally to evaluate the performance of the Group, establish operational goals and allocate resources.

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this announcement may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by GSH in accordance with NZ IFRS.