

## **Delegat Group Limited – 2016 Annual Meeting Addresses**

### **Annual Meeting of Shareholders**

**2 pm, Tuesday, 6 December 2016**

#### **Slide 1 – Title Slide**

##### 1. Welcome and Introductions

Ladies and Gentlemen, On behalf of the Board, I am pleased to welcome you here today to the eleventh Annual Meeting of Delegat Group Limited since listing in April 2006. My name is Jim Delegat and I have the privilege of chairing your Board of Directors. There is a quorum present and given the time is now 2p.m. – I declare the meeting open for business.

#### **Slide 2 – Welcome and Introductions**

Let me first introduce you to my fellow Board Members, Graeme Lord (Managing Director), Robert Wilton, Dr. Alan Jackson (Chair of Audit & Compliance Committee), Jane Freeman (Chair of Remuneration and Nominations Committee) and Shelley Cave. Rose Delegat offers her apology as she cannot be with us today. Also on the dais is Murray Annabell, the Group's Chief Financial Officer, who will act as our minute secretary. I also would like to welcome our auditors, Ernst & Young and the Group's legal counsel, Jones Young to the meeting.

##### 2. Proxies

I can advise the meeting that Directors and others are holding proxies and postal votes in favour of Resolution 2 and 3 for 86,971,013 shares, representing 86.0% of the share capital of the Company, and in favour of Resolution 4, 18,150,930 shares, representing 94.8% of the shares eligible to vote on this Resolution (noting that no Directors or their associated persons are entitled to vote).

### 3. Apologies

To open, are there any apologies anyone would like to advise the meeting of? Thank you – those apologies will be recorded in the minutes.

### 4. Notice of Meeting

The notice of meeting has been sent to all shareholders together with the Annual Report, and I propose that, together with the agenda they be taken as read.

### 5. Minutes of Previous Meeting

The minutes of the tenth Annual Meeting held on 1 December 2015 have been approved by the Directors, and Murray Annabell is holding a copy for inspection should any shareholder wish to see them.

### **Slide 3 - Agenda**

### 6. Procedure

Firstly, I will address the Annual Report incorporating the Directors Report, Financial Statements and unqualified Audit Report covering the year to 30 June 2016. I will then provide a brief overview of our key investment projects before handing the meeting to the Managing Director who will cover 2016 performance in more detail and the Group's future growth plans.

Following Mr Lord's remarks I will open the floor for discussion on the Annual Report and Executive Chairman's and Managing Director's presentation before moving on to the formal business of the resolutions.

## **Executive Chairman's Address**

### **Slide 4 – Executive Chairman's Address**

As Executive Chairman my focus is on the strategic direction and monitoring performance to ensure successful delivery of Board approved business plans. I invest a significant amount of my time on capital investments and growth initiatives.

At the outset of my address I can confirm that no material damage has been sustained at any of our sites from the recent earthquakes. Our thoughts are with those that have been affected.

### **Slide 5 – Another Year of Record Performance**

On behalf of the Board of Directors of Delegat Group Limited, I am pleased to report another year of record performance on our journey to build a leading Super Premium wine company.

Delegat achieved record global case sales of 2,411,000 in the 2016 year, up 9% on the prior year. This strong growth was driven by 14% sales growth in North America which is our largest and fastest growing market. In the 2016 year the Group achieved sales of more than one million cases in North America for the first time.

A record Operating Net Profit After Tax of \$37.0 million was generated, up 8% on the prior year, continuing the Group's strong track record of profitable growth.

Your Board, being cognisant of both dividends to reward shareholders and the need for reinvestment for a growth company, declared a fully imputed dividend of 12 cents per share

which represents an increase of 9% over the prior year.

### **Slide 6 – Investing for Growth**

As outlined in prior years, Delegat is investing for growth to support its strategic goal to build a leading global Super Premium wine company. During the year under review \$113.8 million was invested in growth assets including construction of the Group's new state-of-the-art Hawke's Bay winery, land acquisition and vineyard development in New Zealand and the Barossa Valley. Delegat will invest an additional \$50.8 million in 2017 to provide earnings growth in the years ahead. This capital investment supports the Group's plan to grow sales to 3,401,000 cases by 2021 and will provide for further growth beyond that period.

### **Slide 7 – Hawke's Bay Winery**

The inaugural vintage for the Group's new state-of-the-art winery in Hawkes Bay was a great success. The winery has a long term capacity of 10,000 tonnes which equates to 800,000 nine litre cases of wine. It has been specifically designed and built to produce world-class Super Premium Merlot, Pinot Gris and Sparkling wine. This outstanding winery is at the forefront of Super Premium winemaking globally and will support wine quality and growth for decades to come.

### **Slide 8 –Vineyard Development**

The Group planted 107 hectares of new vineyard in FY2016 and is developing another 72 hectares in the current year. The Group has a further 692 hectares of viticultural land which will be planted progressively from FY18 onwards. The Group now has 4,047 net hectares of vineyards and viticultural land, 3,536 hectares in New Zealand and 511 hectares in Australia. Of

this area 72% is owned or managed by the Company and 28% is from our grower partners.

### **Slide 9 – Funding Growth**

The Group has a strong balance sheet with shareholders' equity of \$313.9 million, net bank debt of \$282.7 million and undrawn syndicated bank debt facilities of \$67.3 million. The Group's retained earnings and long term syndicated bank debt facilities provide appropriate funding for our capital investment programme and growth plan.

### **Slide 10 – Executive Chairman Concluding Remarks**

2016 has been another year of record performance on our journey to build a leading Super Premium wine company.

Your Board would like to take this opportunity to acknowledge our Deleat Great Wine People around the world. Our global team have once again shown great resolve and set new performance records on our journey to build a leading global Super Premium wine company. It is inspiring to work with such a talented team who are committed to winning together.

On behalf of your Board I would also like to acknowledge the strong contribution that Jane Freeman has made to the Group's success. After 10 years of outstanding service Jane has decided not to stand for re-election this year. Jane has served on the Board as an Independent Director since the Group listed on the New Zealand Stock Exchange in 2006. Over this time the Group has benefited significantly from Jane's commercial acumen and extensive governance experience. We wish Jane well for the future.

Graeme Lord, the Group's Managing Director, will now provide a more fulsome report on the 2016 year and our plans for the future.

## **Managing Director's Address**

### **Slide 11 – Managing Director's address**

Good afternoon Ladies and Gentleman, it is a pleasure to meet with you today to discuss the performance and growth plans of your company.

As noted by the Executive Chairman, in 2016 the Group achieved record case sales and Operating Net Profit After Tax. Beyond these metrics, key highlights of the year included an excellent harvest, first vintage for the new Hawke's Bay winery and the outstanding international acclaim for our wines.

### **Slide 12 – Global Sales Performance**

The Group has continued to invest in the development of its own in-market distribution channels to drive long term growth. The Group's Sales and Marketing division has in-market sales teams in New Zealand, Australia, the United Kingdom, Ireland, the United States, Canada, Singapore, Japan and China.

Our record global case sales continue to be well diversified by market with 42% in North America, 29% in the Australia, New Zealand and Asia Pacific region, and 29% in Europe including the United Kingdom.

Case sales in the Australia, New Zealand and Asia Pacific grew by 4% to 705,000 cases. In the established New Zealand and Australia markets Oyster Bay continued to perform strongly as a category leading Super Premium wine brand. Significant distribution and sales growth was achieved with the Barossa Valley Estate brand in both markets.

Continued growth was delivered in the emerging Asia and Middle East markets where the Group's focus remains establishing the distribution base for long term growth.

The Group again delivered strong growth In North America, increasing sales volumes by 14% to a record 1,012,000 cases. Achieving sales in North America of more than one million cases for the first time represents a notable milestone on our journey to build a leading global Super Premium wine company. In the United States, the Oyster Bay brand continued its strong growth as consumers are increasingly embracing elegant, cool climate wine styles. The Group's success is underpinned by its well-established in-market sales team working effectively with leading distributors, retailers and on premise venues. Oyster Bay Sauvignon Blanc is a top 5 white wine over \$10 by value. During the year the new Barossa Valley Estate range was launched in the United States and a good base of distribution has been established as a platform for future growth. In Canada, sales continue to grow in all major Provinces. Oyster Bay is a leading Super Premium wine brand in Canada and Barossa Valley Estate is growing in consumer awareness, distribution and sales.

Another year of growth was delivered in the United Kingdom Ireland & Europe region, with sales volumes increasing 7% to 694,000 cases. In the United Kingdom Oyster Bay has maintained its Super premium category leadership position. Oyster Bay Sauvignon Blanc, Chardonnay and Merlot are the top selling wines above £8 in their respective categories irrespective of origin. Oyster Bay Pinot Noir is the top selling Pinot Noir above £9, whilst Oyster Bay Sparkling continues to be the number one selling sparkling wine brand above £10 by value excluding Champagne. In both the United Kingdom and in Ireland, Barossa Valley Estate has established quality distribution with leading National Account customers

and this distribution platform provides opportunity to grow the brand over the long term.

### **Slide 13 – Major Awards and Accolades**

The Group was awarded a record number of gold medals and received outstanding acclaim in major international wine competitions, showcasing the world-class quality of its wines and significance within the Super Premium wine category. Some of the notable highlights were as follows;

- Oyster Bay was awarded 'Hot Brand' for the sixth consecutive year by New York's Impact Magazine, and named 'One of the World's Most Admired Wine Brands' by Drinks International Magazine UK.
- Oyster Bay Sauvignon Blanc was awarded 'Premium White Wine of the Year' for the ninth year at the Australian Liquor Industry Awards.
- Oyster Bay Sauvignon Blanc 2015 was awarded 90 Points and 'Best Buy' by Wine Enthusiast magazine.
- Delegat Crownthorpe Terraces Chardonnay 2014 was awarded a Gold Medal at the Decanter World Wine Awards.
- Delegat Crownthorpe Terraces Hawkes Bay Merlot 2014 and Crownthorpe Terraces Chardonnay 2014 were awarded Gold Medals at the New Zealand International Wine Show.
- Barossa Valley Estate Cabernet Sauvignon 2014 was awarded a Gold Medal at the Sydney International Wine Competition and San Francisco International Wine Competition.

### **Slide 14 – 2016 Vintage**

The Group achieved a record global harvest of 35,837 tonnes from the 2016 vintage. The New Zealand harvest was 33,236 tonnes, up 33% on the low yielding 2015 vintage. The

Australia harvest for Barossa Valley Estate was 2,601 tonnes, which is up 56% on last year. The 2016 vintage has delivered excellent quality in all regions with ideal weather conditions prevailing throughout the growing season. The Group has appropriate inventories to achieve our future sales growth plans.

### **Slide 15 – Sales Growth FY2016 to FY2021**

The Group's strategic goal is to build a leading global Super Premium wine company. The Group will build leading global brands from world leading regions, focusing on the wine styles for which those regions are internationally renowned. Delegat plans to grow sales by 41% to 3,401,000 cases over the next five years. This planned growth will be primarily driven through continued sales growth in North America and by growing the Barossa Valley Estate brand globally.

In the Australia, New Zealand and Asia Pacific region, sales volume is projected to grow by 24% to 871,000 cases by 2021. Growth in the region will be driven by expanding distribution of products in the Oyster Bay range, increasing sales of Barossa Valley Estate and accelerating market development in Asia.

Sales volume in the United Kingdom, Ireland and Europe region is planned to grow by 22% to 849,000 cases by 2021. The planned growth will be driven by targeted Oyster Bay distribution expansion, Barossa Valley Estate and the development of new markets in continental Europe. Due to sustained weakness in the Pound Sterling, the Group will increase prices in the United Kingdom in the second half of the financial year.

North America is the largest Super Premium wine market in the world and will continue to be the key growth region for the Group over the next five years. Delegat plans to increase sales volume in the region by 66% to 1,681,000 cases by 2021. The growth in the region will be driven by rising wine consumption per capita, consumers trading up to Super Premium wines, the increasing popularity of Marlborough Sauvignon Blanc and the strength of the Group's brands.

### **Slide 16 – Forecast 2017**

With respect to the 2017 year, the Group has achieved strong year to date sales and is on track to achieve the full year sales growth goal. The Group faces risks in the form of exchange rate volatility which makes it difficult to forecast financial performance. Based on the prevailing exchange rates, the Group forecasts a 2017 operating profit result in line with this year's record performance.

### **Slide 17 – Managing Director Concluding Remarks**

The Group is well positioned to grow sales and achieve sustainable earnings growth in the years ahead.

Our global teams embrace the exciting challenge of building a leading global Super Premium wine company every day. It is our people that bring our plans to life and make a difference. I wish to personally thank each of our Great Wine People for their commitment to Delegat and the enduring success that is being created. Thank you.

## **Shareholder's Questions and Discussion**

Are there any questions in respect of the Annual Report, my Chairman's presentation or the Managing Director's presentation?

Thank you – I will record that the 2016 Annual Report has been received and considered.

Now we will proceed to the Ordinary Business on the Agenda.

## **Election of Directors**

The Resolutions numbered Agenda Items 2 & 3 are both ordinary resolutions.

### **Agenda item 2**

Re-election of Dr. Alan Jackson as Director

In accordance with the rotation provision of the constitution Dr. Alan Jackson retires from office and being eligible offers himself for re-election.

Alan will now briefly address the meeting.

### **Agenda item 3**

Election of Shelley Cave as Director

Shelley Cave was appointed to the Board in September 2016. In accordance with the rotation provision of the constitution Shelley Cave is required to retire from office and being eligible offers herself for election.

Shelley will now briefly address the meeting.

### **Agenda item 4**

#### **Increase in Directors' Fee Pool**

This Resolution is numbered Agenda Items 4 and is an ordinary resolution. Directors seek approval to increase the Directors' fee Pool from \$300,000 to \$400,000 to ensure a remuneration level which reflects both the growth of the Company, its associated increasing governance responsibilities and to bring the Pool into line with similar listed Companies as benchmarked in the

PriceWaterHouseCoopers 2015 Director Fee Report. No increase in the Pool has been made since 2007 and there are no specific plans existing to increase any Director fee payments.

I can confirm that as Chairman of the Meeting I am holding proxies voting in favour of the Resolution for 18,150,930 shares which is 94.8% of the eligible votes (excluding shareholders represented in person at the Meeting today). Neither the directors nor their associates who hold shares will be exercising any votes in respect of this Resolution as required by NZX Listing Rules.

### **Agenda item B: General Business**

I now look to the final item on the agenda: General Business. Are there any items of General Business? Is there any discussion? Thank you.

At the conclusion of the meeting the Board invites you all to stay for canapés and to taste a selection of your company's fine products. It is also a time to mix and mingle with your fellow shareholders, board members and senior management.

With there being no further items of business, I will declare the meeting closed and thank you for the interest you have in the company.