

## **Delegat Group Limited – 2019 Annual Meeting Addresses**

### **Annual Meeting of Shareholders**

**2 pm, Tuesday, 3 December 2019**

#### **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 14th 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, John Freeman (Managing Director), Rose Delegat, Robert Wilton, Dr. Alan Jackson (Chair of Audit & Risk Committee) and Shelley Cave (Chair of Remuneration Committee). 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, to the meeting and our legal counsel, David Jones from Heimsath Alexander.

##### **2. Apologies**

To open, are there any apologies anyone would like to advise the meeting of?

### 3. Notice of Meeting

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

### 4. Minutes of Previous Meeting

The minutes of the 13th Annual Meeting held on 4 December 2018 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**

### 5. Procedure

Firstly, I will address the Annual Report incorporating the Directors Report, Financial Statements and unqualified Audit Report covering the year to 30 June 2019. I will then provide a brief overview of our key investment projects before handing the meeting to the Managing Director who will cover the FY2019 performance in more detail and the Group's future growth plans.

Following Mr Freeman'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 of the Group 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.

### **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. Delegat achieved record global case sales of 3,008,000 in the FY2019 year, up 10% on the prior year. This key milestone represents another step in our journey building a leading global Super Premium wine company. We are now one of the largest and most successful wine companies in Australasia, recognised both globally and within New Zealand for our positive contribution to the wine industry.

Two key highlights of this strong growth was 7% sales growth in North America which is our largest market and 30% sales growth in UK, Ireland & Europe, associated with new distribution listings.

A record Operating Net Profit After Tax of \$51.4 million was generated, up 14% 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 17 cents per share which represents an increase of 13% over the prior year.

## **Slide 6 – Investing for Growth**

Delegat is investing for growth to support its strategic goal to build a leading global Super Premium wine company. During the year under review the Group generated cash flows from operations of \$55.4 million which more than funded the \$33 million invested in growth assets including development of the Group's wineries, land acquisition and vineyard development in New Zealand and the Barossa Valley.

Delegat will invest an additional \$44 million in FY2020 to provide earnings growth in the years ahead. This capital investment supports the Group's plan to grow sales by more than 643,000 cases to 3,651,000 cases by FY2022 and will provide for further growth beyond that period.

## **Slide 7 – Vineyard Development**

The Group planted 142 hectares of new vineyard in FY2019 and is developing another 119 hectares in the current year. The Group has a further 619 hectares of viticultural land which will be planted progressively from FY21 onwards. The Group now has 4,031 net hectares of vineyards and viticultural land, 3,566 hectares in New Zealand and 465 hectares in Australia. Of this area 76% is owned or managed by the Company and 24% is from our grower partners.

## **Slide 7 – Sustainability**

Recognition and respect for the environment are reflected in the strong leadership role the Group plays in the practice and promotion of sustainable wine growing and wine production. As a leader in the New Zealand wine industry and as a founding member of Sustainable Winegrowing New Zealand (SWNZ) since 2002, the Group takes its responsibilities to respect and protect the environment very seriously. The Group's New Zealand vineyards and wineries are 100% accredited by the independently audited SWNZ Sustainability Programme. The Group applies many of these same principles in the Barossa Valley, again

as a leader of sustainable wine growing practices within the Australian wine industry.

### **Slide 8 – Funding Growth**

The Group has a strong balance sheet with shareholders' equity of \$374.5 million, net bank debt of \$270.3 million and undrawn syndicated bank debt facilities of \$59.7 million. The Group's retained earnings and syndicated bank debt facilities provide appropriate funding for our capital investment programme and growth plan.

### **Slide 9 – Executive Chairman Concluding Remarks**

The record results achieved in the year under review are testament to the strength of the Group's business model. And being another year closer to realizing our vision of becoming one of the world's leading Super Premium wine companies.

The Group has invested heavily in its brands and distribution channels and established in - market sales offices. This unique infrastructure of in-market sales offices delivers high quality distribution, enduring business relationships, market knowledge and focus.

The Group's wines have a history of winning awards and being acclaimed by leading wine critics.

Growth is underpinned by substantial vineyard plantings in pre-eminent wine regions and the Groups winemaking is undertaken in technologically advanced, state-of-the-art wineries.

I continue to be excited about your company's performance and strategy, all of which supports substantial future sales and earnings growth.

I am also delighted to inform you that your company has been nominated as one of three finalists for company of the year at the 2019 Deloitte Top 200 Business Awards. Deloitte said, "chosen from New Zealand's top companies, this year's finalists have been recognised for their focus on shaping the future, companies that are thriving on the opportunities presented by innovation and

globalization". Delecta won this award previously in 2008. This year's winner will be announced at the award's gala dinner later this week. Whilst we do not yet know who the winner will be, we're very proud of having been recognized as a finalist.

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

John Freeman, the Group's Managing Director, will now provide a more fulsome report on the 2019 year and our plans for the future.

## **Managing Director's Address**

### **Slide 10 – Managing Director's Address**

Good afternoon Ladies and Gentlemen. It is a privilege to be with you today and it will be my pleasure to share and discuss the performance and growth plans of the company.

FY2019 was another year of record performance and continuing to build the foundations for long term-growth. As noted by the Executive Chairman, in 2019 the Group achieved record global case sales of 3,008,000 cases, record Operating Net Profit After Tax of \$51.4 million, and another year of strong net cash flows from operations.

### **Slide 11 – Global Sales Performance**

The Group's investment in developing its own in-market sales teams in New Zealand, Australia, the United Kingdom, the United States, Canada and China continues to deliver strong performance in a highly competitive global marketplace. We have grown global case sales by twenty-fold since 2002. Reaching 3 million cases in annual sales represents another milestone in our journey building a leading global Super Premium wine company.

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

Whilst it may sound great to say that we sold 3 million cases, I find it is more rewarding to consider that last year, 180 million glasses of Oyster Bay were enjoyed by wine lovers around the world. That represents 343 glasses every minute of every day.

### **Slide 13 – Global Sales Performance**

Our record global case sales continue to be well diversified by market, with 44% in North America, 26% in the Australia, New Zealand and Asia Pacific region, and 30% in the United Kingdom, Ireland, and Europe region.

### **Slide 14 – Global Sales Performance (AU/NZ/APAC focus)**

Case sales in the Australia, New Zealand and Asia Pacific region were 780,000 cases for the year. In the established New Zealand and Australia markets, Oyster Bay continued to perform strongly as a category leading Super Premium wine brand.

In Australia, Oyster Bay Sauvignon Blanc remains the top selling Sauvignon Blanc and number one bottled white wine by value. Oyster Bay Pinot Gris and Oyster Bay Rosé both achieved good growth in the region, as did Barossa Valley Estate Grenache Shiraz

Mourvèdre.

### **Slide 15 – Consumer Advertising Campaign, Australia**

On the screen you will see examples of our Consumer Advertising campaign in Australia. The Group continues to invest significantly in the established markets of Australia and New Zealand in order to build and maintain high brand affinity among current and target consumers. The Group is increasingly utilising digital media as an effective means by which we can segment, target, and engage with Super Premium wine consumers. We're confident that this investment will continue to be repaid in the form of sustainable high-quality earnings from these key markets.

### **Slide 16 – Global Sales Performance (AU/NZ/APAC focus – repeat)**

Still looking at the Asia Pacific region, the Group continues to achieve healthy sales growth each year. We are developing a deeper understanding of how to drive meaningful traffic to the Group's flagship store within the T-Mall e-Commerce platform and we continue to see China as an attractive long-term opportunity.

### **Slide 17 – Global Sales Performance (North America focus)**

Turning to North America, the Group again delivered strong growth, increasing sales volumes by 7% to a record 1,332,000 cases. North America remains our largest opportunity to grow sales in the short to medium term.

In the United States, the Oyster Bay brand continued its strong growth, gaining distribution and rate of sale across multiple channels. Oyster Bay is now a top 5 white wine over USD \$10 by value. The Barossa Valley Estate brand continued to perform well, particularly within the on-premise channel, supporting the Group's goal of increasing awareness and affinity in this large market for Super Premium red wine brands. Highlights for the year

included rapid growth for Oyster Bay Pinot Gris, and the launch of Oyster Bay Rosé in the market.

In Canada, Oyster Bay has delivered consistent strong performance, with Oyster Bay holding category-leading positions with major government monopoly liquor retail networks.

### **Slide 18 – Global Sales Performance (Europe focus)**

The Group achieved standout performance in the important United Kingdom, Ireland, and Europe region, growing 30% over the course of the year. This growth was due in part to increased rate of sale within large UK Grocery retail chains, and also benefited from significant distribution gains within the convenience retail sector. Additionally, both Oyster Bay and Barossa Valley Estate grew sales within the on-premise channel.

In Ireland, Oyster Bay has maintained its category-leading position. Oyster Bay Sauvignon Blanc, Chardonnay, Merlot, and Pinot Noir are the top-selling New Zealand wines in their respective varietal categories, and Barossa Valley Estate Shiraz and Grenache Shiraz Mourvèdre are the leading Australian wines above €12 in their respective categories.

### **Slide 19 - Oyster Bay Consumer Research**

The Group regularly conducts detailed research into both current and target consumers. This year we have been studying these groups in more detail to support our planning for future consumer media campaigns and in-store retail activation.

To give you an example, on the screen is a snapshot of the current Oyster Bay consumer. These consumers are typically 25-54, with an even gender balance. They are likely to be tertiary educated and work in white collar professional sectors such as Finance and Sales. They are more likely to be married and they enjoy a wide repertoire of premium wines.

## **Slide 20 - Oyster Bay Consumer Research – High Value Shoppers**

More importantly, we are learning about their purchasing behaviours. Here you can see that the typical Oyster Bay Shopper in the USA makes three times as many trips per year to purchase wine, and when they do they spend approximately 50% more than a typical wine shopper. This means that over the course of a year, the Oyster Bay Shopper represents more than four times the annual spend of a typical shopper. This information proves extremely valuable when our in-market sales teams are working closely with leading retailers and on-premise venues to achieve high-quality distribution and secure promotions at key times of the year.

## **Slide 21 – Most Admired**

The result of these efforts is evident in the Group's sales growth, but also in Oyster Bay's recognition and regard within the market. In the United States Oyster Bay has now been recognised as a 'Blue Chip' brand by New York's Impact Magazine, a status reserved only for brands of substantial size and sustained growth over more than ten years. In the UK Oyster Bay was once again named 'One of the World's Most Admired Wine Brands' by Drinks Trade International Magazine, and in New Zealand Oyster Bay was voted 'Most Trusted Wine Brand' by consumers in the Readers Digest 2019 awards.

## **Slide 22 – Barossa Valley Estate Cellar Door and Gardens**

This year the Group opened the Barossa Valley Estate Cellar Door and gardens. Set in Australia's largest perennial gardens, this stunning facility encourages visitors to Explore the gardens and vineyard, Discover the definitive wines of the Barossa, and to Experience E&E Black Pepper Shiraz, one of the defining wines of the region.

Over the coming year we will be developing a programme to promote the estate, working closely with Australia Tourism, Barossa Tourism, and key tour operators within the region. We're delighted with the feedback to date from visitors, and we are excited at the opportunity to establish Barossa Valley Estate as one of the ultimate Barossa wine tourism venues.

### **Slide 23 – 2019 Vintage**

The 2019 harvest was regarded as one of exceptional quality across all three of our regions, delivering some of our most expressive wines to date.

The New Zealand harvest was 35,500 tonnes, down 11% on the 2018 vintage. The Australia harvest was 1,600 tonnes. Yields were slightly lower than long-term averages due to variable weather conditions during spring flowering. Despite these lower yields, the Group continues to have appropriate inventories to achieve future sales growth plans.

### **Slide 24 – Investing in Our People**

A company is represented by the culture and performance of its people, and at Delegat we are privileged to have an excellent team of Delegat Great Wine People. Each year we conduct an employee engagement survey which provides us with valuable feedback and helps us understand how to provide our people with a healthy, safe, and supportive workplace. Our goal as an employer is to create an environment for success, where our people can achieve or exceed their career aspirations. In the year ahead we will invest in our Human Resource Information Systems and our Learning and Development programmes. We have also formally introduced Diversity and Inclusion planning, which we believe not only benefits and supports our people, but also contributes positively to the Group's long-term performance.

## **Slide 25 – Sales Growth FY2020 to FY2022**

The Group's strategic goal is to build a leading global Super Premium wine company. The Group will continue to 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 more than 643,000 cases to 3,651,000 cases over the next three years. The primary drivers of planned growth are Oyster Bay varietals in North America, and Oyster Bay Pinot Gris and Barossa Valley Estate varietals globally.

We will also continue to invest for future long-term growth and earnings by developing and executing high-quality consumer communication campaigns in key markets. You can expect to see this again this Christmas here in New Zealand as an example.

## **Slide 26 – Forecast FY2020**

With respect to the FY2020 financial year, the Group is on track to achieve its full year goal to grow case sales by 8% to 3,240,000 cases. The Group forecasts the FY2020 operating profit result to be in line with market consensus of \$52.4 million.

## **Slide 27 – Managing Director Concluding Remarks**

In conclusion, as mentioned by the Executive Chairman, your company is well positioned to grow sales and achieve sustainable earnings growth in the years ahead. This continued success hinges on our great staff here in New Zealand and around the world. I wish to personally thank each of our Great Wine People for their achievements in 2019, and for their continuing efforts to aim high, pursue mastery and win together. Lastly, I would like to thank you, our shareholders, for your commitment as we have worked hard to build your company, and for your ongoing support in the future.

## **Shareholders' Questions and Discussion**

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

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

As covered by the new Listing Rules, all resolutions will be conducted by way of poll with those shareholders entitled to vote. A voting paper was either mailed to you or provided to you at the registration desk. If you do not have a voting paper please see ComputerShare at the back of the room and they will assist you with this matter. I will address each Resolution and will then instruct you to mark your voting paper for that resolution. After all resolutions have been voted on, I will then close the meeting and invite all shareholders to post their voting papers in the ballot boxes being held by Computershare staff. The Computershare staff will then perform the poll and the Company will post the final results onto the NZX platform later in the day.

### **Agenda item 1**

This is Resolution numbered Agenda Items 1 and is an ordinary resolution.

#### **Auditor's remuneration**

In accordance with the Company's Act 1993, the Company's auditor Ernst & Young is automatically re-appointed at the annual meeting. In regards to the matter of the auditor's remuneration being fixed, in line with commercial practice, the resolution seeks approval that Shareholders approve the directors to be authorized to fix the auditor's remuneration.

I move that the Director's be authorised to fix the auditor's remuneration.

## **Election of Directors**

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

### **Agenda item 2**

Re-election of John Freeman as Director

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

John will now briefly address the meeting.

### **Agenda item 3**

Re-election of Shelley Cave as Director

In accordance with the rotation provision of the constitution Shelley Cave retires from office and being eligible offers herself for re-election.

Shelley will now briefly address the meeting.

### **Agenda item 4**

## **New Constitution**

The Company's existing Constitution was adopted on listing on the NZX in 2006 and incorporated the requirements of the then current Listing Rules. Since that time the Listing Rules themselves have been amended several times. A substantial change to the Listing Rules took effect from 1 July 2019, subject to a six month transitional period. The Company is transitioning to these new rules by the adoption of a new Constitution as required by the new Listing Rules. A copy of the new Constitution was available on the company website and Murray

Annabell is holding a copy for inspection should any shareholder wish to see this today.

The explanatory notes that accompanied your notice of meeting outlined the key matters of change and confirmed that the Company's solicitor's Heimsath Alexander, have provided a legal certificate on that the new Constitution complies with the requirements of the Listing Rules.

I move that the Company's new constitution is adopted.

### **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.

As I mentioned earlier, I invite all shareholders to post their voting papers in the ballot boxes being held by Computershare staff as you leave the meeting. I can confirm to the meeting that Directors and others held proxies and postal votes in favour of Resolution 1 - 4 for 86,777,024 shares, representing 85.81% of the share capital of the Company.

At the conclusion of the meeting the Board invites you all to mix and mingle with your fellow shareholders, board members and senior management where a tea service will be provided.

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.