

# **Delegat Group Limited – 2020 Annual Meeting Addresses**

## **Annual Meeting of Shareholders**

**2 pm, Wednesday, 25 November 2020**

### **Slide 1 – Title Slide**

#### **1. Welcome and Introductions**

Good afternoon everyone, thank you for dialing into this annual meeting today. 2020 has indeed been a year of disruptions and changes and no one could have foreseen the widespread impact the Coronavirus pandemic would have on how we conduct everyday life. That is particularly evident today, with us holding this meeting virtually. I have been told that over 80% of all 2020 annual meetings have been held in this same way.

On behalf of the Board, I am pleased to welcome you here today to the 15th 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. I can confirm that we do have a quorum present and given the time is now 2p.m. – I declare the meeting open for business. This meeting is an audio only meeting, and so very much like holding a conference call. You will be able to hear us, view the presentation on your device (be that a computer, laptop, tablet or smartphone) but there is no live video of the presenters. Through the technology platform, our moderator will be managing what you can see on your screens in front of you. You will have the ability to ask questions which I will explain how to do later, and for those that have not posted their voting by proxy already, you will be able to cast your votes on the resolutions through the website platform. I can also confirm that the meeting is being recorded.

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

Let me first introduce you virtually to my fellow Board Members. Today we have on the call, John Freeman (Managing Director), Rose Delegat, Robert Wilton, Dr. Alan Jackson (Chair of Audit & Risk Committee), Phillipa Muir (Chair of Remuneration Committee) and Graeme Lord. Also, in attendance is Murray Annabell, the Group's Chief Financial Officer, who will act as our minute secretary. I also would like to welcome our retiring auditors, Ernst & Young, and incoming auditors, Deloitte to the meeting, along with our legal counsel, David Jones from Heimsath Alexander.

### **2. Apologies**

To open, I am not aware of any apologies anyone would like to advise the meeting of? If there are, please type in the apology in the question box at the bottom of your screen marked "ask a question". If there are any apologies these will be recorded in the minutes.

### **3. Proxies**

I can advise the meeting that Directors and others are holding proxies and postal votes for 88,012,895 shares, representing 87% of the share capital of the Company.

### **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 14th Annual Meeting held on 3rd December 2019 have been approved by the Directors, and Murray Annabell is holding a copy should any shareholder wish to receive one to view.

### **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 2020. I will then provide a brief overview of our key investment projects before handing the meeting to the Managing Director who will cover the 2020 performance in more detail and the Group's future sales growth plans.

Following Mr. Freeman's remarks I will ask if there is any 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.

### **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 3,277,000 in the 2020 year, up 9% on the prior year. I am delighted to confirm that Delegat is now the number one New Zealand wine exporter to the world, yet another milestone achieved on our journey to become one of the world's leading Super Premium wine companies.

Record Operating Net Profit After Tax of \$60.8 million was generated, up 20% on the prior year, continuing the Group's strong track record of profitable growth. This is a result everyone can be enormously proud of.

Record cash flows from operation of \$84.3 million were achieved, 42% higher than last year. This achievement surpasses our previous record of \$63.4 million achieved in 2017.

Accordingly, your Board, considered it appropriate to declare a fully imputed dividend of 17 cents per share, which is in line with last year. Your Board is cognisant of both dividends to reward shareholders and the need for reinvestment for long-term growth.

## **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 \$84.3 million as mentioned, which more than funded the \$28.7 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 \$52.2 million in FY2021 to provide earnings growth in the years ahead. This capital investment supports the Group's plan to grow sales by more than 563,000 cases to 3,840,000 cases by FY2023 and will provide for further growth beyond that period.

## **Slide 7 –Vineyard Development**

The Group planted 142 hectares of new vineyards in FY2020 and is developing another 133 hectares in the current year. The Group has a further 745 hectares of viticultural land which will be planted progressively from FY2022 onwards. The Group now has 4,271 net hectares of vineyards and viticultural land, 3,931 hectares in New Zealand and 340 hectares in Australia. Of this area 81% is owned or managed by the Company and 19% is from our grower partners.

## **Slide 8 – Funding Growth**

The Group has a strong balance sheet with shareholders' equity of \$404.6 million, net bank debt of \$239.5 million and undrawn syndicated bank debt facilities of \$90.5 million as at 30 June 2020. The Group's retained earnings and syndicated bank debt facilities provide appropriate funding for our capital investment programme and growth plans.

## **Slide 9 – Directors**

As can be seen from today's meeting agenda we have two new directors seeking election having been appointed to casual vacancies during the year. At this time, I wish to advise that Robert Wilton is not seeking re-election and will be retiring from the Board at the conclusion of this meeting.

Bob as many of you know began his involvement with Rose and myself for over 35 years and obviously has made a significant contribution in bringing Delegat from a modest family business to the company that we have today. Bob was the inaugural Chairman of Delegat Group Limited since listing in 2006 and has been active in all board affairs. Bob, on behalf of my fellow directors I place on record, our thanks and appreciation and we wish you well in your retirement.

You will also recall from the last Annual Meeting that I announced that a search was being undertaken to replace Shelley Cave who had indicated for personal reasons that she was unable to continue as a Director and would resign once we had found a suitable replacement. I can confirm that we did find a very good Director being Phillipa Muir, and in August 2020, an announcement was made that Shelley Cave had resigned from the Board.

I would at this time thank Shelley for her contribution to the Board of Delegat Group since she was appointed in 2016. Shelley was Chair of the Remuneration Committee and very effective in maintaining governance oversight. Again, I would also like to place on record my and my fellow director's thanks and appreciation for Shelley's contribution over her time with us and wish her the very best for the future.

Later in the meeting will be your opportunity to confirm by vote the appointment of Graeme Lord and Phillipa Muir to the Board, their Bios having been circulated with the notice of meeting.

We continue to review our own performance and the composition of the Board with respect to experience and believe there is an appropriate structure and skill base to lead the Company forward,

while at the same time recognising market and regulatory changes.

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

The record results achieved in the year under review are testament to the Group's robust business model. Against a backdrop of uncertainty caused by the disruption of Covid-19 the strength of our category-leading Super Premium brands, in market-sales team, distribution networks and strong consumer demand have provided the necessary resilience in these challenging times. Particularly pleasing was the achievement of 9% global case sales growth this year and the Group achieving a compound annual growth of 17.7% over the last two decades.

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

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 2020 year and our Group's future sales growth plans.

## **Managing Director's Address**

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

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

FY2020 was another year of record performance and continuing to build the foundations for long term-growth. As noted by the Executive Chairman, in 2020 the Group achieved record global case sales of 3,277,000 cases, record Operating Net Profit After Tax of \$60.4 million, and record net cash flows from operations of \$84.3 million.

### **Slide 12 – Continued Group Performance**

I'd like to take a moment to speak to the COVID-19 global pandemic, as I imagine many of you are interested to know how this has impacted on the Group.

The Group performed very well through the global disruptions caused by the emergence of the COVID-19 pandemic in early 2020. The resilience and commitment demonstrated by the Group's global team during this challenging period has been nothing short of inspirational.

The Group was classified as an Essential Business by the New Zealand and Australian governments, allowing viticulture and winemaking teams to complete harvest operations and winemaking processes for the 2020 vintage, albeit with additional safety precautions and procedures in place.

Across the Group our ongoing investment in workplace productivity technology enabled our teams to quickly adapt and maintain all critical functions throughout government-imposed lockdowns.

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 has been an important contributor to sustained performance in a disrupted marketplace. Whilst field sales activities were limited in many global markets by social-distancing requirements and new trading conditions, our in-market sales teams sustained regular and frequent communication with key customers and distributor partners to support ongoing sales initiatives and priorities.

Reduced sales in the hospitality channel from March onwards were offset by increased sales in retail and particularly in e-commerce channels as consumers adjusted their shopping habits in response to lockdown restrictions. The Group observes that during times of uncertainty consumers increasingly choose to purchase brands they know and trust. As a leading Super Premium wine brand, Oyster Bay holds a position of high awareness and affinity among premium wine consumers.

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

Our record global case sales continue to be well diversified by market, with 44% in North America, 30% in the United Kingdom, Ireland, and Europe region, and 22% in the Australia, New Zealand and Asia Pacific region.

### **Slide 14 – Global Sales Performance (North America focus)**

In North America, the Group again delivered strong growth, increasing sales volumes by 8% to a record 1,438,000 cases.

The United States remains one of the world's most attractive wine markets, demonstrating sustained category growth and strong demand for imported wines. This makes it a major growth market opportunity for the Group.

The Oyster Bay brand continued its strong growth, gaining distribution and rate of sale across the country. Oyster Bay Sauvignon Blanc is now a top 5 white wine over US\$10 by value.

The Group has in recent years invested in its brands and distribution channels. The Group is well positioned to continue building momentum through its strong relationships with its distributor partners.

With premiumisation continuing to drive value growth for the wine category, Canadian wine consumers are demanding higher quality wines for which they are willing to pay a premium price. Oyster Bay has delivered consistent strong performance, while maintaining category-leading ranking positions.

### **Slide 15 – Global Sales Performance (Europe focus)**

The United Kingdom, Ireland and Europe region again performed extremely well, growing sales by 23% to 1,101,000 cases.

The United Kingdom is a highly competitive market. Oyster Bay has outperformed the wine category and contributed significantly to consumer demand for New Zealand wines. Through increased distribution and higher rate of sale, Oyster Bay has further strengthened its position as a leading Super Premium wine brand.

Oyster Bay Sauvignon Blanc, Chardonnay, and Merlot continue to be the top selling wines above £8 in their individual varietal categories irrespective of origin. Barossa Valley Estate Grenache Shiraz Mourvèdre delivered strong sales growth during the year, supporting further growth in brand

awareness and affinity.

In Ireland, Oyster Bay maintained its Super Premium category leadership position. Highlights included significant growth for Oyster Bay Sauvignon Blanc, Chardonnay, and Pinot Noir during the year. Oyster Bay Chardonnay, Merlot and Pinot Noir remain the top selling New Zealand wines in their respective varietal categories above €9.

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

In the established New Zealand and Australia markets, Oyster Bay continued to perform strongly as a category-leading Super Premium wine brand. The Australia, New Zealand and Asia Pacific region achieved sales of 738,000 cases, slightly lower than in the previous year as the Group focused on optimising long-term value growth in preference to short-term volume growth.

In Australia, Oyster Bay Sauvignon Blanc continues to lead the category as the top selling Sauvignon Blanc and bottled white wine by value, and Oyster Bay Chardonnay remains the top selling premium Chardonnay and a top three white wine above AU\$15.

During the year, the Group again experienced very strong growth in China. Whilst China is currently a relatively small emerging market for the Group, it continues to represent an important long-term growth opportunity.

## **Slide 17 – Brands and Communications**

The Group's goal is to establish Oyster Bay and Barossa Valley Estate as leading brands in the Super Premium wine category globally.

Based on wine consumption patterns the Group classifies markets as Established, Growth, or Emerging. Understanding the level of maturity of our markets is essential for setting business strategy. Marketing activities are then tailored to the specific needs of each market and phases of brand development. Marketing programmes are designed to grow consumer awareness and affinity, supporting distribution and rate of sale growth for our brands.

The Group works closely with its retail partners to develop highly effective in-store activations that support rate of sale and nurture long-term brand affinity. In the consumer environment, the Group uses a mix of media channels both online and offline to attract and engage the premium wine consumer.

In recognition of its market performance and reputation, Oyster Bay continues to be 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 many years. Oyster Bay was also recognised by Impact Magazine as a 'Hot Brand' for the tenth consecutive year, and has been recognised multiple times over recent years by Drinks International as one of the world's most admired wine brands.

## **Slide 18 – 2020 Vintage**

The 2020 harvest delivered exceptional quality fruit across all three of our wine regions

The Group's harvest of 38,129 tonnes was up 7% on the 2019 vintage.

The Group continues to have appropriate inventories and supply to achieve future sales growth plans.

## **Slide 19 – Investing in Our People**

We are extremely proud of our Delegat Great Wine People who make up our global team.

Our people are the key to realising the Group's goals and we have thorough processes for recruiting talented and capable people.

This year we have invested in a new Human Resources Information System (HRIS). As this new system is fully implemented it will provide our managers and teams with greater visibility and control over all of our people-related processes, from recruitment through to performance management and Learning & Development planning. We strongly believe in a learning culture, one where both formal and informal learning play important roles in helping us to be more skilled, resilient and productive. This enables us to create an aspirational environment for success where our people can achieve or exceed their own career aspirations.

This year we have also continued to progress Diversity and Inclusion planning which is a positive contributor to the wellness of our people and to the Group's long-term performance. We feel that we benefit greatly from the different backgrounds and perspectives our people bring to their work.

## **Slide 20 – Sales Growth FY2021 to FY2023**

The global economic outlook is uncertain, but the 2020 year has demonstrated that the Group is well positioned to navigate and succeed in uncertain economic times. The Group continues to see opportunities globally to further expand distribution and grow rate of sale per point of distribution, supporting the achievement of sustainable sales and earnings growth in the years ahead.

Delegat plans to grow sales by 17% to 3,840,000 cases over the next three years. The primary drivers of planned growth are Oyster Bay sales in North America, and Barossa Valley Estate sales globally.

## **Slide 21 – Forecast FY2021**

With respect to the current year to June 2021, the Group is on track to achieve our plans to grow sales by 2% to 3,346,000 cases.

The Group continues to forecast the FY2021 operating profit result to be in the range of \$60 million - \$65 million.

## **Slide 22 – 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 commend each of our Great Wine People for their resilience and their achievements in 2020, 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.

END

CHAIRMAN RESUMES

### **Shareholders' Questions and Discussion**

Thank you John for your presentation. At this stage of the meeting we would ask if there are any questions in respect of the Annual Report, my Executive Chairman's presentation or the Managing Director's presentation.

If you would like to ask a question, please refer to your computer or other device. At the bottom of the page, there will be a box labelled 'ask a question'. If you type your question and press send, via the platform we will be able to see the question asked and based on how you registered for this call, the name of the shareholder and CSN number. We will take a few moments to see if there are any questions sent before moving on to the next item on the agenda. Please note that if there are questions raised of a similar nature, we may cover these off together. Please go ahead and send us any questions.

[PAUSE SCRIPT WHILST WE ANSWER QUESTIONS]

Thank you – I will record that the 2020 Annual Report has been received and considered.

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

As you will remember from last year's Annual Meeting, the new Listing Rules requires that all resolutions will be conducted by way of poll with those shareholders entitled to vote. As outlined in the voting papers that were mailed to you with the notice of meeting and Annual Report, we have four resolutions to discuss and vote on today. For those of you that have not sent your votes in by proxy, you will be given the opportunity to vote using the platform today and voting when instructed. On your screen you should be able to see the first resolution along with the 3 options for voting. Please select by clicking on the radio button for either 'For', 'Against' or 'Abstain' and then press Submit. Each resolution is required to be voted on in the sequence presented on your screens and you cannot go back and resubmit your vote. I will address each Resolution and will then instruct you when to vote.

Once all four resolutions have been voted, ComputerShare (our registrar) will collate all the votes cast by Shareholders along with the proxy votes and the Company will post the final results onto the NZX platform when available.

#### **Agenda item D**

This is Resolution Item 1 and is an ordinary resolution.

#### **Auditor's appointment and remuneration**

The Company's Act 1993 requires the Company to appoint an auditor. In regards to this matter you will recall from last year's annual meeting the Company advised that the lead partner, Brent Penrose of Ernst & Young would be coming up for rotation as his five year term was finishing with the 30

June 2020 year end. The Directors considered that it was an appropriate time to review the audit engagement and undertook a formal request for the provision of external audit and non-audit services. All of the Big Four firms were invited to participate. The outcome of this review was a decision that Deloitte was the successful party within that process and that the Board recommend that Deloitte be appointed as auditor for Delegat Group and subsidiaries. The Deloitte audit team will be led by Andrew Dick, whose bio was included in the explanatory notes accompanying the notice of this meeting.

Section 207(s) of the Companies Act 1993 provides that the auditor's remuneration being fixed, in such a manner as the Company determines at the Annual meeting. The Board proposes, consistent with commercial practice, that Shareholders approve that the Directors be authorized to fix the auditor's remuneration. The total audit fee excluding disbursements for the statutory audit services for FY21 is \$255,000.

I move that the appointment of Deloitte as auditor for Delegat Group and subsidiaries for the year ended 30 June 2021 and that the Director's be authorised to fix the auditor's remuneration.

Is there a seconder? Thank you Mr Wilton.

Is there any discussion? Please submit any question you may have in relation to the appointment of Deloitte as auditor and their remuneration. We will pause for a few moments to see if the Moderator receives any question.

If there are no further questions, I put the motion that Deloitte be appointed auditor for Delegat Group and subsidiaries and the Directors's be authorised to fix the auditor's remuneration.

Please cast your vote in regards to Resolution 1 using your computer or device now and press Submit. Thank you

## **Election of Directors**

The Resolutions numbered Items 2, 3 and 4 are both ordinary resolutions.

### **Agenda item 2 - Re-election of Jim Delegat as Director.**

I will hand over to Dr Alan Jackson to run this part of the meeting.

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

Jim will now briefly address the meeting.

[Jim to address meeting]

[Alan to continue]

I move Jim Delegat be re-elected as a director.

Is there a seconder? Thank you Mr Wilton.

Is there any discussion? Please submit any question you may have in relation to the appointment of Jim Delegat as Director. We will pause for a few moments to see if the Moderator receives any questions.

If there are no further questions, I put the motion that Jim Delegat be re-elected as a director.

Please cast your vote in regards to Resolution 2 using your computer or device now and press Submit. Thank you

I will now hand back to the Chairman.

[Jim Delegat returns to Chair]

Thank you Alan

### **Agenda item 3 - Election of Graeme Lord as Director**

In accordance with the rotation provision of the constitution Graeme Lord retires from office and being eligible offers himself for election.

Graeme will now briefly address the meeting.

[Graeme to address meeting]

I move Graeme Lord be elected as a director.

Is there a seconder? Thank you Mr Wilton.

Is there any discussion? Please submit any question you may have in relation to the appointment of Graeme Lord as Director. We will pause for a few moments to see if the Moderator receives any questions.

If there are no further questions, I put the motion that Graeme Lord be elected as a director.

Please cast your vote in regards to Resolution 3 using your computer or device now and press Submit. Thank you

### **Agenda item 4 - Election of Phillipa Muir as Director**

In accordance with the rotation provision of the constitution Phillipa Muir retires from office and being eligible offers herself for election.

Phillipa will now briefly address the meeting.

[Phillipa to address meeting]

I move Phillipa Muir be elected as a director.

Is there a seconder? Thank you Mr Wilton.

Is there any discussion? Please submit any question you may have in relation to the

appointment of Phillipa Muir as Director. We will pause for a few moments to see if the Moderator receives any questions.

If there are no further questions, I put the motion that Phillipa Muir be elected as a director. Please cast your vote in regards to Resolution 4 using your computer or device now and press Submit. Thank you.

### **Agenda item E: 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? Please submit any question you may have in relation to any other business. We will pause for a few moments to see if the Moderator receives any items or questions.

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