

## **Delegat Group Limited – 2017 Annual Meeting Addresses**

### **Annual Meeting of Shareholders**

**2 pm, Tuesday, 5 December 2017**

#### **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 12th 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), Rose Delegat, Robert Wilton, Dr. Alan Jackson (Chair of Audit & Compliance Committee), Shelley Cave (Chair of Remuneration Committee), along with John Freeman, Managing Director Designate. 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, Heimsath Alexander 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 87,526,872 shares, representing 86.55% of the share capital of the Company.

### 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 11th Annual Meeting held on 6 December 2016 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 2017. I will then provide a brief overview of our key investment projects before handing the meeting to the Managing Director who will cover 2017 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.

### **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 2,656,000 in the 2017 year, up 10% on the prior year. A highlight of this strong growth was 12% sales growth in North America which is our largest and fastest growing market.

A record Operating Net Profit After Tax of \$38.5 million was generated, up 6% on the prior year, continuing the Group's strong track record of profitable growth.

The Group generated record cash flows from operations of \$59.2 million, up 28% on the prior year.

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 13 cents per share which represents an increase of 8% 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. As noted earlier the Group generated record cash flows from operations of \$59.2 million in the current year which more than funded the \$40.5 million invested in growth assets, including development of wineries, land acquisition and vineyard development in New Zealand and the Barossa Valley.

Delegat will invest an additional \$46.2 million in 2018 to provide earnings growth in the years ahead. This capital investment supports the Group's plan to grow sales by more than 1,000,000 cases to 3,685,000 cases by 2022, and will provide for further growth beyond that period.

## **Slide 7 –Vineyard Development**

The Group planted 75 hectares of new vineyard in FY2017 and is developing another 230 hectares in the current year. The Group has a further 588 hectares of viticultural land which will be planted progressively from FY19 onwards. The Group now has 4,198 net hectares of vineyards and viticultural land, 3,628 hectares in New Zealand and 570 hectares in Australia. Of this area 72% is owned or managed by the Company and 28% is from our grower partners.

Pictured on screen is the Group's new vineyard development in the Crownthorpe region of Hawke's Bay, which is a world class viticulture region based on its ideal soil types and climate. This vineyard development adjoins an existing Delegat vineyard and will enable the Group to meet strong growth in global demand for its Super Premium wines, including Oyster Bay Pinot Gris. The Group has planted 125 hectares of vineyard at Crownthorpe in November 2017.

### **Slide 8 – Crownthorpe Reservoir**

This is a photograph of the reservoir under construction at the new Crownthorpe vineyard. When completed the reservoir will store up to 300 million litres of irrigation water and service a vineyard area of up to 450 hectares.

### **Slide 9 – Funding Growth**

The Group has a strong balance sheet with shareholders' equity of \$307.1 million, net bank debt of \$278.0 million and undrawn syndicated bank debt facilities of \$72.0 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**

The record results achieved in the year under review are testament to the strength of the Group's business model. I personally am as excited about your company's performance, strategy and growth plans as I have ever been.

Your Board would like to take this opportunity to acknowledge our Delegat 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.

As previously announced Graeme Lord will step down as Managing Director in July 2018 and John Freeman has been appointed as the incoming Managing Director.

On behalf of your Board I would also like to acknowledge the significant contribution that Graeme has made to the Group. Graeme first joined the company in 1999 and has undertaken a

succession of leadership roles culminating in his appointment as Managing Director in April 2014. Graeme's leadership and strategic planning has been instrumental in Delegat Group's global success and eighteen-fold growth over the last eighteen years.

Your Board is delighted that John Freeman will lead the business as Managing Director from July. John has been serving as Managing Director Designate since the beginning of November and is here with us today. John is an exceptional business builder who has excelled in his career to date, including sales leadership and general management roles with Delegat Group for 10 years from 2005 through to 2015. John brings the ideal experience and capability to lead the growth of Delegat Group on the next stage of our journey to build a leading global Super Premium wine company.

Graeme Lord, the Group's Managing Director, will now provide a more fulsome report on the 2017 year and our plans for the future.

## **Managing Director's Address**

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

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

Thank you Jim, for your kind remarks. It has been a great privilege to be part of Delegat Group's growth and success. I have been fortunate to work with a talented team who have together achieved exceptional growth and are well on the way to building a leading global Super Premium wine company. I would like to take this opportunity to offer special thanks to Jim and Rose Delegat for their outstanding vision and unyielding support over my time with Delegat Group. I look forward to working with the Board and the global team for the balance of the 2018 Financial Year.

2017 was another year of record performance and continuing to build the foundations for long term-growth. As noted by the Executive Chairman, in 2017 the Group achieved Operating Net Profit After Tax of \$38.5 million, record global case sales and record net cash flows from operations.

### **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 and China.

Our record global case sales continue to be well diversified by market with 43% in North America, 30% in the Australia, New Zealand and Asia Pacific region, and 28% in Europe including the United Kingdom.

Case sales in the Australia, New Zealand and Asia Pacific grew by 11% to 785,000 cases. In the established New Zealand and Australia markets Oyster Bay continued to perform strongly as a category leading Super Premium wine brand.

In New Zealand, Oyster Bay was voted most trusted wine brand by consumers in the Reader's Digest 2017 awards.

In Australia, Oyster Bay Sauvignon Blanc continues to lead the category as the top selling Sauvignon Blanc and bottled white wine by value. The ongoing growth of Oyster Bay Sparkling Cuvée in both markets was a notable highlight of the year. Significant distribution and sales growth was achieved with the Barossa Valley Estate brand in the Australia market.

In the second half Delegat opened a flagship store selling Oyster Bay and Barossa Valley Estate on the Tmall online market place in China. The store enables aspirational consumers throughout China to purchase the Group's brands directly from Delegat. Whilst it will take time to build awareness and develop a significant customer base, this is a promising venture in a growth market for imported Super Premium wine.

The Group again delivered strong growth In North America, increasing sales volumes by 12% to a record 1,135,000 cases.

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 US\$10 by value. Significant distribution and sales growth was achieved with the Barossa Valley Estate brand, with the Group continuing its efforts to expand distribution channels for this range.

Towards the end of the year, the Group expanded its distribution arrangements with Southern Glazer's Wines and Spirits, North America's largest wine and spirits distributor. Delegat has worked very successfully with Southern Glazer's over the past decade. Southern Glazer's is now the Group's exclusive distributor partner in 32 markets which collectively account for approximately 70% of wine consumption in the United States. Extending our relationship with Southern Glazer's will provide a powerful distribution platform to realise the significant growth potential of Oyster Bay and Barossa Valley Estate in the United States.

In Canada, a strong base of distribution has been established in each of the major provinces and significant sales growth was achieved. Oyster Bay has grown to become one of the most powerful Super Premium wine brands in the market, with success being achieved across the range including number one Chardonnay in Canada above C\$12.

Another year of growth was delivered in the United Kingdom, Ireland & Europe region, with sales volumes increasing 6% to 736,000 cases.

In the United Kingdom a price increase was implemented during the year in response to significant and ongoing weakness in the pound sterling. 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. Oyster Bay Pinot Noir is the top selling Pinot Noir above £9. Barossa Valley Estate has established quality distribution with leading National Account customers and this distribution platform provides significant consumer reach and opportunity to grow the brand over the long-term.

In Ireland, Oyster Bay has maintained its Super Premium category leadership position. Oyster Bay Sauvignon Blanc, Chardonnay, Merlot and Pinot Noir are the top selling New Zealand wines in their respective varietal categories above €10. Barossa Valley Estate Shiraz and Grenache Shiraz Mourvèdre are the top selling Australian wines in their respective varietal categories above €12.

### **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 seventh consecutive year by New York’s Impact Magazine, and named ‘One of the World’s Most Admired Wine Brands’ for the fifth consecutive year by Drinks International Magazine UK.
- Oyster Bay Marlborough Sauvignon Blanc 2015 was awarded a double gold medal at the San Francisco International wine competition, USA.
- Delegat Crownthorpe Terraces Chardonnay was awarded a gold medal at the New

World Wine Awards, New Zealand, The New Zealand International Wine Show, and Decanter New World Wine Awards, United Kingdom.

- Delegat Awatere Valley Sauvignon Blanc 2015 was awarded a Gold Medal at the San Francisco International Wine competition, USA.
- Barossa Valley Estate Cabernet Sauvignon 2015 was awarded a Gold Medal at the Sydney International Wine Competition, Australia.
- Oyster Bay Chardonnay 2016 was awarded a gold medal and 90 Points at the San Francisco International wine competition, USA.
- Oyster Bay Marlborough Pinot Noir 2015 was awarded a Double Gold Medal at the San Francisco International wine competition, USA.

#### **Slide 14 – 2017 Vintage**

The Group achieved a record harvest of 37,355 tonnes from the 2017 vintage. The New Zealand harvest was 34,595 tonnes, up 4% on the 2016 vintage. The Australia harvest for Barossa Valley Estate was 2,760 tonnes, which is up 6% on the prior year. The New Zealand harvest is of very good quality albeit that the onset of harvest was delayed due to late season rains. The Barossa Valley harvest is one of the best of recent times. Delegat's investment in world-class vineyard and winery assets was evident in the quality outcomes achieved in the 2017 vintage. The Group has appropriate inventories to achieve our future sales growth plans.

## **Slide 15 – Sales Growth FY2017 to FY2022**

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 more than 1 million cases to 3,685,000 cases over the next five years. The primary drivers of planned growth are Oyster Bay sales in North America and Barossa Valley Estate sales globally.

In the Australia, New Zealand and Asia Pacific region, sales volume is projected to grow by 16% to 913,000 cases by 2022. Growth in the region will be driven by expanding distribution of products in the Oyster Bay range, increasing sales of Barossa Valley Estate and market development in Asia.

Sales volume in the United Kingdom, Ireland and Europe region is planned to decrease slightly to 725,000 cases over the next 5 years. The Group expects a sales decline of 8% in 2018 due to the price increase implemented in the second half of 2017 and ongoing weakness in the United Kingdom economy as the Brexit process unfolds. Delegat remains focused on maintaining and enhancing its Super Premium category leadership in this important region.

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 80% to 2,047,000 cases by 2022. 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 2018**

With respect to the 2018 year, the Group is on track to achieve its full year goal to grow case sales by 5% to 2,782,000 cases. When the full year result was announced in August the Group provided guidance that forecast 2018 operating profit would be at least in line with last year at \$38.5 million. With strong trading performance to date and the recent weakening of the New Zealand dollar relative to key trading currencies, the Group is today updating guidance for forecast 2018 operating profit to \$40.7 million in line with market consensus.

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

The Group is well positioned to grow sales and achieve sustainable earnings growth in the years ahead. 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 efforts to aim high, pursue mastery and win together. Our teams have achieved another year of record performance in 2017 and have positioned Delegat to deliver enduring success. Thank you for your ongoing support.

**Shareholder's Questions and Discussion**

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

Thank you – I will record that the 2017 Annual Report has been received and considered.

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

At this time it is appropriate to hand the meeting to Dr Alan Jackson to carry out this part of the process. Thank you, Alan.

**Election of Directors**

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

## **Agenda item 2**

Re-election of Jim Delegat as Director

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.

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

Is there a seconder? Thank you.

Is there any discussion? Thank you.

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

Would those in favour, please raise a hand?

Would those against, please raise a hand?

I declare the motion carried.

Thank you, I will now hand the meeting back to Mr Delegat.

### **Agenda item 3**

Re-election of Robert Wilton as Director

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

Bob will now briefly address the meeting.

I move Robert Wilton be re-elected as a director.

Is there a seconder? Thank you.

Is there any discussion? Thank you.

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

Would those in favour, please raise a hand?

Would those against, please raise a hand?

I declare the motion carried.

## **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.