

FOLEY FAMILY WINES

ANNUAL SHAREHOLDERS' MEETING 09 NOVEMBER 2017

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AGENDA

- 1. 2017 SIGNIFICANT EVENTS
- 2. OVERVIEW OF RESULTS
- 3. 2017 VINTAGE
- 4. OUR VISION, PURPOSE AND STRATEGY
- 5. 2018 CHALLENGES
- 6. MOVE TO NZX MAIN BOARD
- 7. QUESTIONS



SIGNIFICANT EVENTS 2017

- 7.8 Richter Culverden Earthquake on 14th November 2016 caused significant damage at Grove Mill
 - All tanks needed to be repaired or replaced
 - Race against time to be fixed in time for harvest
 - A lot of uncertainty in terms of grape intake
 - Tremendous job to be up and running in time
- Brexit
 - Full year of currency impact lead to 18% in revenue per case reduction in the UK
 - This affect flowed directly to market contribution
- Large 2016 vintage
 - Pricing pressure on bulk wine, flowing onto private label market and aggressive pricing



- Operating earnings (before revaluations) \$5m vs 2016 \$4.3m
- Profit after tax for group \$3.06m vs 2016 \$4.96m
- Case sales (9 litre equiv.) 389,000 vs 2016 422,000
- Bulk sales (9 litre equiv.) 46,000 vs 2016 15,000
- Net case realisation \$69 vs 2016 \$70



CASH FLOW

- Operating cash flow \$3.5m vs 2016 \$2.2 m
- Final dividend 3 cents per share (fully imputed) maintained



BALANCE SHEET

- Assets \$128m vs 2016 \$123m
- Bank debt \$10m vs 2016 \$11m
- Shareholders' equity \$91m vs 2016 \$87m
 - Strong balance sheet to leverage



CAPEX

- 2014 \$2.7m
- 2015 \$3.6m (warehouse \$2.2m)
- 2016 \$2.1m (includes new palletizer \$.5m)
- 2017 \$1.7m (excludes earthquake repairs)
- 2018 \$1.8m (excludes barrel purchases, includes new wastewater at Grove Mill \$.7m)
- 2019 Te Kairanga new barrel room (in scoping stage)



2017 VINTAGE

- 5,527 tonnes vs 2016 6,954 tonnes
- 20% down on 2016 / 4% up on 2015
- Challenging due to cool summer and late season's rains
- Focus on quality to ensure production of world class wine

OUR VISION, PURPOSE AND STRATEGY







OUR VISION

To become New Zealand's most revered wine group through the ownership of iconic brands and wineries in New Zealand's most acclaimed wine regions



OUR PURPOSE

To make great wine that people love to drink around the world – delivering a portfolio of brands that would satisfy the needs of best distributors, retailers, restaurants and consumers requiring premium New Zealand wines



PRODUCE WORLD CLASS WINE

We are on the right track 2017:

- 6 Trophies
- 28 Gold Medals





Decanter World Wine Awards 2017



OTHER SUCCESSES

Lighthouse Gin is the first New Zealand Gin brand to be chosen by the Craft Gin Club in the UK, and was also featured as "Gin of the Month" in their publication "Ginned".

17,502 Bottles of Lighthouse Gin were shipped to the Craft Gin Club.





BE FAMOUS IN NEW ZEALAND

Focus on brand building – e.g. Launch of The Weekend Chef series



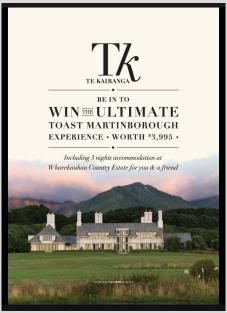
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LEVERAGE OUR FOOD AND TOURISM ASSETS TO MAXIMISE OUR BRANDS

- Toast Martinborough Competition Weekend at Wharekauhau Lodge
- Nourish Group





We want our brands to be enjoyed with great food



DISTRIBUTORS WORLDWIDE

- Engagement with the best distributors in every market
- Use the power of the best wine portfolio in New Zealand to leverage all of our brands
- Consolidate relationships to ensure we can manage them efficiently and effectively



ACQUISITIONS THAT STRENGTHEN OUR PORTFOLIO

 Mt Difficulty – iconic New Zealand brand which ticks all the boxes of delivering our strategy



2018 CHALLENGES

- Currency still volatile
- Markets very competitive for New Zealand Sauvignon Blanc e.g. Premium brands promoted at \$9 in Australia
- Rehabilitation of our Martinborough vineyards
- Investment in brand building major focus is to build our New Zealand sales
- Most of our assets needed to be rebuilt takes <u>time</u> and <u>money</u>



MOVE TO NZX MAIN BOARD

- Commenced discussions with NZX
- Goal is to complete this by June 2018
- Alton Jamieson resignation we will be reviewing Board composition in the context of the proposed move to NZX Main Board
- Mt Difficulty discussions are ongoing and we will make an announcement in due course

A MILE - FULL

QUESTIONS?





HOW CAN YOU HELP?

Buy the wines – great shareholder pricing (email <u>sales@ffw.co.nz</u> for details)

Tell people about the Foley Wine Club <u>www.foleywineclub.co.nz</u>

Like and share The Society on Facebook www.facebook.com/foodwinesociety