

SPEIRS GROUP LIMITED 2022 AGM Chairman's Speech

I am pleased to report a summary of our results to 30 June 2022 and an update on Company and Group affairs since that date.

The business environment generally and for Speirs group remains very challenging with rising costs for materials and labour and difficulty in securing appropriate workforce still prevailing.

While our two main investments, Speirs Foods, and Equipment, Leasing and Finance Holdings Limited had reasonable results for the 2022 year, these business challenges will continue to impact the Group in the year ahead.

Overall Results

The overall financial results compared to last year are shown on the slide:

	2022 \$'000	2021 \$'000
Speirs Foods (2018) LP trading profit before interest	491	317
Fair Value Gain Through Profit and Loss Financial Assets Equipment, Leasing and Finance Holdings Limited	178	338
Dividend received from Equipment, Leasing and Finance Holdings Limited	171	229
Corporate governance costs	(291)	(276)
Net financing costs	(218)	(252)
Depreciation Expense of Speirs Group Limited in relation to acting as landlord for Speirs Foods (2018) LP	(70)	(77)
Total Profit Before Tax	261	279
Derecognition of Previously Recognised Future Income Tax Benefit	-	(133)
Total Profit After Tax	261	146
Profit attributable to non-controlling Interest	(71)	(11)
Overall Profit/(Loss) Attributable to Ordinary Shareholders of Speirs Group Limited	190	135

The Group reported a profit attributable to the Speirs Group ordinary shareholders of \$190,000, an improvement on the \$135,000 achieved in the previous year. Our investment in Equipment Leasing and Finance Holdings

Limited provided a significant contribution to this result with the receipt of a further dividend, \$171,000 and a write up in the value of the investment of \$178,000. The contribution of Speirs Foods was up on the previous year from \$317,000 to \$491,000.

Turning to each of our core investments.

Speirs Foods (2018) LP (Speirs Foods)

Speirs Foods (2018) LP (“Speirs Foods”) continues to manufacture and supply innovative products throughout New Zealand, principally to the two major supermarket chains.

Revenue increased by 1.1% to \$18.384 million compared to \$18.179 million in the previous period. The trading profit for the year before interest was \$491,000 compared to \$317,000 for the previous period. The business was impacted by a number of factors consequential on the continuing Covid-19 pandemic including:

- reduced turnover due to the Auckland regional lockdown (August 2021 to October 2021). The Auckland region represents a significant proportion of Speirs Foods’ monthly turnover;
- a noticeable shift in customer demand from bulk products (those sold from “under the glass” in supermarket delicatessens) to pre-packaged products which are more labour intensive in their production and often require the use of higher cost raw materials;
- higher material costs and need to source higher cost alternative supplies due to increased shipping and freight costs and supply chain constraints;
- pressure on labour availability and costs due to general market shortages and the flow on effects of the increase in the minimum wage driving labour costs up across the general labour force.

The business has taken a number of steps to address these issues and improve profitability including:

- a significant capital investment in new plant over the last two years to improve the efficiency of producing prepack products;

- continual work on improving product flow efficiency through the plant and increase productivity through new or replacement plant to improve labour efficiency;
- review of product margins to ensure products provide an acceptable return on the costs to produce;
- continuous development of innovative and fresh new products
- A successful project was completed to update information systems (including migrating some software solutions to Cloud based software) to provide better and more timely information to managers.

While the business has improved on the prior year result, it is still under performing with regards to returns achieved prior to the Covid-19 pandemic.

While benefits of the measures undertaken are starting to show returns, cost pressures remain and the business will need to keep innovating, investing and improving processes to maintain a reasonable return on the assets employed in the business.

In the current year, the business has also been severely impacted for several months by the weather induced shortage of key materials including cabbage, cauliflower and broccoli. This has resulted in substantially higher input costs and for a period an inability to maintain production of key products at normal levels.

While supply is now returning to more normal levels and we have been successful in partially recovering some of the higher costs, this will have a very significant detrimental impact on the results for the first half of the year.

Equipment, Leasing and Finance Holdings Limited (EL&F)

At 30 June 2022 the Group held 2.27% of the ordinary shares of EL&F. During the year ended 30 June 2022 a parcel of EL&F preference shares held by the Group converted into EL&F ordinary shares in accordance with their terms of issue.

The EL&F Group includes:

- AB Equipment Limited (ABE), supplying a wide range of heavy mobile equipment to the forestry, infrastructure, construction and manufacturing industries throughout New Zealand; and
- Speirs Finance Group Limited, including Speirs Finance Limited providing funding of heavy and light commercial vehicles, cars and other mobile equipment, and Yoogo Limited providing vehicle leasing facilities.

At 30 June 2022 the directors assessed the fair value of the EL&F shares to be \$1.65 each compared to \$1.55 at the previous balance date, resulting in an uplift in value of \$178,000.

For the second year in a row Speirs Group received a dividend from EL & F which for the year ended 30 June 2022 was \$171,000

Financing

As previously reported, a successful refinancing exercise was finalised in September 2021 and the \$2.5m of redeemable preference shares (“2021 RPS”) were repaid and \$2.2 million of redeemable preference shares with a scheduled maturity date of 30 September 2025 (“2025 RPS”) were issued.

The dividend rate on the 2025 RPS is 7.5% compared to the 9.0% that had been paid on the maturing 2021 RPS. The net impact of the RPS refinancing has been to reduce the annual borrowing costs on the RPS by \$60,000.

The overall impact of the transactions and trading activity over the year has resulted in the reduction in the debt owed by the Group, with the ratio of equity to total assets further improving from 42.0% to 43.5%.

Board and Management

The Board of Speirs Group presently comprises four non-executive directors—Fred Hutchings, Nelson Speirs, David Speirs and myself.

I retire by rotation this year and as previously advised I am not seeking re-appointment.

After due consideration the Board is recommending the shareholders appoint our present Company Secretary Lee Simpson as a director and if successfully appointed have signalled the intention to appoint Lee as an Executive Chair.

Lee has an enormous knowledge of and loyalty to the company and will provide excellent leadership for the Company over the next period.

The Board of the General Partner for Speirs Foods (2018) LP is Fred Hutchings (Chair), Ross Kane and Sarah McCormack.

Both boards have continued to work effectively over the last year and I thank my colleagues for their work on behalf of the Company. I would also like to thank again the team at Speirs Foods for their continued hard work in a what is always a challenging market environment.

As this is my last meeting, I would especially acknowledge the collegiality of my fellow directors and support staff throughout my time with Speirs. Over my time on the Board the Company has faced some huge challenges starting with the 2008 Global Financial Crisis and going through to a global pandemic. These have had a huge impact on the business and as a Board we have had some difficult and challenging times. However, throughout, all those involved on the Board and supported by Lee have worked hard to make the best decisions for the shareholders and support the Company to survive and re-strengthen its balance sheet. I thank all that have worked together in such a constructive manner to achieve this.

Share Consolidation

As noted at the 2021 annual meeting of shareholders Speirs Group Limited undertook a 1 for 10 share consolidation in relation to Speirs Group Limited's ordinary shares on 24 November 2021.

The company undertook the ordinary share consolidation as the directors believe that the reduced number of total ordinary shares on issue better reflects the current requirements of Speirs Group Limited's size and scope of operations.

Dividend

It is pleasing to report that the Group was able to pay a dividend of 5 cents per share on 31 October this year. This was made possible due to the cash distributions received from Speirs Foods and EL&F.

Outlook

As noted earlier the business environment at present is tough. As well as cost pressures and labour availability present in the wider market, Speirs Foods has been facing weather related shortages and high prices for its fresh ingredients. This will significantly impact results in the short term and require some changes of approach going forward.

Maximising returns from our key investments continues. We remain firmly on this path with a focus on reducing debt. With debt at manageable levels, cash returns from trading activities or divestments can be applied to returning cash to shareholders.



Annual General Meeting
21 November 2022

Financial Overview

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2022 Key Points

- Another challenging year for Speirs Foods due to:
 - ongoing impacts on material and staff costs from Covid-19 impacts and inflation.
 - An extremely wet year impacting on vegetable availability
- Speirs Foods continues to rapidly deliver new products in response and continues to invest in capital equipment to improve capacity and efficiency of pre-pack products.
- The Equipment, Leasing and Finance (E L & F) business operating profitably with a second annual dividend and uplift in carrying value.



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The 2023 Year

- Challenges and risks will continue to impact Speirs Foods .
 - The challenging weather continued to impact vegetable pricing and availability for the first four months of the 2023 year.
 - Inflationary pressures on materials and distribution costs
 - Staff availability and increasing pay expectations.
- E L & F trading well to date
- A five cent per share dividend on ordinary shares was paid on 31 October 2022.
- Future dividends continue to be dependent on trading performance and distributions received from Speirs Foods and E L & F and the overall cash position of the group.



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Formal Business

1. Consideration of the Annual Report and Financial Statements
2. Resolution 1: That Lee Simpson be appointed a Director
3. Resolution 2: That the Directors be authorised to set the remuneration of the auditors
4. General Business



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