

SPEIRS GROUP LIMITED 2023 AGM Chairman's Speech

I am pleased to report a summary of our results to 30 June 2023 and an update on Company and the Group's 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.

Equipment, Leasing and Finance Holdings Limited had a reasonable result for the 2023 year. Speirs Foods result was below expectations, the causes of this will be discussed later in the presentation. In an inflationary environment and with an economic downturn at the moment 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:

	2023 \$'000	2022 \$'000
Speirs Foods (2018) LP trading profit before interest	294	491
Fair Value Gain Through Profit and Loss Financial Assets Equipment, Leasing and Finance Holdings Limited	178	178
Dividend received from Equipment, Leasing and Finance Holdings Limited	-	171
Corporate governance costs	(269)	(291)
Net financing costs	(239)	(218)
Depreciation Expense of Speirs Group Limited in relation to acting as landlord for Speirs Foods (2018) LP--	(70)	(70)
Total Profit/(Loss) Before Tax	(106)	261
Tax Expense	(126)	-
Total Profit/(Loss) After Tax	(232)	261
(Profit)/Loss attributable to non-controlling Interest	2	(71)
Overall Profit/(Loss) Attributable to Ordinary Shareholders of Speirs Group Limited	(230)	190

The Group reported a loss attributable to the Speirs Group ordinary shareholders of \$230,000, a deterioration from the \$190,000 profit achieved in the previous year. Our investment in Equipment Leasing and Finance Holdings Limited provided a significant contribution to this result with the write up in

the value of the investment of \$178,000. The contribution of Speirs Foods was down on the previous year from \$491,000 to \$294,000.

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 remained relatively static at a little under \$18.5 million in both the 2023 and 2022 years. The trading profit for the year before interest was \$294,000 compared to \$491,000 for the previous period. The business was impacted by a number of factors consequential on the economic fallout from the Covid-19 pandemic including:

- a continuing 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 as suppliers increase their prices to us due to inflation. Also, a lack of availability of some key production components has resulted in a 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.
- Several months of severe adverse weather caused significant shortage of key materials, in particular cabbage, cauliflower and broccoli. This has resulted in substantially higher input costs (as Speirs Foods was forced to acquire some raw materials on the spot market at prices much higher than the business would normally pay) and for a period an inability to maintain production and supply of key products at normal levels.

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;
- a full review of product margins to ensure products provide an acceptable return on the costs to produce;
- adjusting pricing to the two supermarket chains to recognise the increasing costs of raw materials and labour that Speirs Foods is required to meet;
- discontinuation of some products which were not returning a sufficient margin;
- continuous development of innovative and fresh new products.

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.

At the close of the 2023 financial year the supply of most vegetables returned to near normal levels and we had some success in partially recovering higher input costs through pricing adjustments. Supplier price increases remain a concern as they continue to erode Speirs Foods' trading margins.

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

At 30 June 2023 the Group held 2.28% of the ordinary shares of EL&F.

The EL&F Group includes:

- AB Equipment Limited 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 2023 the directors assessed the fair value of the EL&F shares to be \$1.75 each compared to \$1.65 at the previous balance date, resulting in an uplift in value of \$178,000.

The directors of EL & F opted not to declare a dividend during the year ended 30 June 2023.

Board and Management

The Board of Speirs Group presently comprises two non-executive directors—Nelson Speirs and David Speirs and myself as Executive Chairman.

David Speirs and Fred Hutchings are due to retire by rotation as directors of Speirs Group Limited at the company's Annual Meeting of shareholders scheduled for 20 November 2023.

Having completed three terms of three-year appointments, Fred Hutchings did not stand for reappointment at the 2023 meeting of shareholders as the company recognises that three directors is now sufficient for the current scope of the Speirs Group Limited business interests. Fred has been a director of Speirs Group since 11 September 2014 and agreed to retire from the Speirs Group Limited Board on 30 September 2023. We thank Fred for his contribution to the governance of the business during that period.

The Board of the General Partner for Speirs Foods (2018) LP is Robert Speirs (Chair), Ross Kane and Craig Tucker.

Sarah McCormack retired as a director on 31 July 2023.

Craig Tucker joined us as a director of Speirs Foods on 1 August 2023. Craig is a successful director and chief executive with broad cross-functional experience. He will bring to the company a wealth of commercial competency,

strategic insight, and a clear understanding of revenue drivers across both domestic and global markets.

As noted above, Fred Hutchings retired from the Speirs Group Board on 30 September 2023. As such a decision was made to appoint Robert Speirs to the Speirs Foods General Partner Limited Board on 30 September 2023 and that Fred Hutchings would also retire from the Speirs Foods General Partner Limited Board on 30 September 2023. Robert Speirs is Auckland based and is a successful business Executive with broad experience. Robert Speirs has been a Board Observer on the Speirs Foods General Partner Limited Board for a number of years and has an in-depth understanding of the business.

Ross Kane was appointed as Managing Director of Speirs Foods General Partner Limited on 1 November 2018. Ross' appointment was based on a 5-year services agreement which expired on 31 October 2023.

The Speirs Group 2023 Annual Report, issued on 6 October 2023, noted *“Ross Kane has indicated that he intends to retire as Speirs Foods' Managing Director later this financial year. Ross Kane will remain a non-executive director Speirs Foods. A recruitment process is currently underway to appoint a General Manager at Speirs Foods.”*

Speirs Group is pleased to announce that a new Speirs Foods Chief Executive Officer has been appointed with effect from 20 November 2023. The new Chief Executive Officer of Speirs Foods is Jerem Wylie. Jerem has a proven track record as a successful Chief Executive Officer across a wide range of New Zealand businesses, including experience in the FMCG (Fast Moving Consumer Goods) area. Jerem has a strong history of achieving success by cultivating and leading high-performing teams and ensuring profitable operations and is proficient in recognizing and mitigating risks, devising effective solutions, and instigating positive transformations to foster growth and long-term viability.

As noted above Ross Kane will remain on the Board as a non-executive director of Speirs Foods. We thank Ross for his 5 years of hard work in repositioning

Speirs Foods in an extremely challenging market environment, particularly the impact of the Covid 19 pandemic and subsequent inflationary impacts.

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 the team at Speirs Foods for their continued hard work in a what is always a challenging market environment.

Dividend

Last year the group's two key trading investments, Speirs Foods and Equipment Leasing and finance distributed cash to the Speirs Group parent in excess of the parent's cash operating costs. Accordingly, the directors declared and paid a 5 cents per ordinary share cash dividend to shareholders in October 2022. The distributions from these two key trading investments has not been repeated, with the result that no further dividend will be declared and paid by the Company for the year ended 30 June 2023.

Outlook

As noted earlier the business environment at present is tough. Cost pressures and labour availability remain in the wider market. These will continue to impact results in the short term and require some changes of approach going forward.

Maximising returns from our key investments continues to be our primary goal. 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
20 November 2023

Financial Overview

	2023 \$'000	2022 \$'000
Speirs Foods (2018) LP trading profit before interest	294	491
Fair Value Gain Through Profit and Loss Financial Assets Equipment, Leasing and Finance Holdings Limited	178	178
Dividend received from Equipment, Leasing and Finance Holdings Limited	-	171
Corporate governance costs	(269)	(291)
Net financing costs	(239)	(218)
Depreciation Expense of Speirs Group Limited in relation to acting as landlord for Speirs Foods (2018) LP	(70)	(70)
Total Profit/(Loss) Before Tax	(106)	261
Derecognition of Previously Recognised Future Income Tax Benefit	(126)	-
Total Profit/(Loss) After Tax	(232)	261
(Profit)/Loss attributable to non-controlling Interest	2	(71)
Overall Profit/(Loss) Attributable to Ordinary Shareholders of Speirs Group Limited	(230)	190

2023 Key Points

- Another challenging year for Speirs Foods due to:
 - ongoing impacts on material and staff costs from economic effects 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 an uplift in carrying value.



NEW ZEALAND GROWN : GROWING NEW ZEALAND

The 2024 Year

- Challenges and risks will continue to impact Speirs Foods .
 - Inflationary pressures on materials and distribution costs
 - Staff availability and increasing pay expectations.
- Board refresh at Speirs Foods and appointment of new CEO
- 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.



NEW ZEALAND GROWN : GROWING NEW ZEALAND

Formal Business

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



NEW ZEALAND GROWN : GROWING NEW ZEALAND