



Preliminary Unaudited Results Announcement for the Year Ended 30 June 2022

29 August 2022

Solid FY22 financial performance despite COVID

Good Spirits Hospitality Limited (NZX: GSH), today reports its unaudited results for the year ended 30 June 2022.

The Financial Year ended 30 June 2022 (FY22) has been another challenging year for the Group, with COVID continuing to impact the business throughout the year.

FY22 Result Summary (% changes compared to prior comparative period):

- Operating Revenue decreased 24% to \$17.7m. This was primarily due to COVID lockdowns, capacity restrictions and travel restrictions affecting international traveller numbers
- During the period when venues were operating the underlying venue EBITDA (before unusual items and corporate costs) was strong, despite the challenges presented by COVID during the year
- The Group reported a Net Loss After Tax of \$6.6m (FY21: \$5.8m Net Loss). There were a number of one-off unusual items that contributed to the reported net loss, including: due diligence costs of \$1.5m related to the failed Nourish Group acquisition, non-cash Goodwill impairments of \$0.6m (FY21: \$5.2m), and a non-cash right-of-use asset impairment of \$0.5m (FY21: \$0.5m)
- Group operating cash flows prior to unusual items for the period were \$2.2m, compared to \$2.8m in FY21
- Strong operating performance in the second half of FY22 driven by the gradual easing of COVID restrictions and a progressive return to pre-COVID trading showed the resilience and popularity of our venues

The impact of COVID on the Group's financial result in FY22 was considerable. The Delta lockdown in Auckland from August 2021 to December 2021 forced the mandated closure of all Auckland venues for a period of 107 days, which materially impacted our revenue and placed the Group under severe cash flow pressure. Furthermore, the Omicron outbreak in

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early 2022 had a marked impact on customer sentiment, with many venues running significantly below capacity with reduced operating hours. In addition, the mandated international border closures throughout the year resulted in no international visitors, which also negatively impacted our revenue and contributed to labour shortages. The repercussions of COVID related lockdowns and restrictions adversely impacted Group earnings by approximately \$9.8million in FY22. We also note that a significant reason for the increase in the Group's debt during the financial year was the capitalised interest and provision of working capital by Nomura, both of those were directly attributable to the COVID trading conditions.

Trading update and Outlook:

The new financial year has started ahead of expectations. While COVID related challenges persist to some extent, the easing of COVID restrictions and the progressive reopening of international borders and return of major events to Auckland are expected to result in a significantly improved financial result in FY23.

For the FY23 financial year, GSH is budgeting a return to average pre-COVID venue trading levels, which is supported by trading levels in July and August, continuing the recovery achieved in the last three months of FY22. Despite ongoing inflationary pressures, average transaction values remain consistent, demonstrating the strength of the Group's venues.

The Group's operating plan has been further refined to maximise the performance of each venue while further creating an outstanding customer experience. During FY22 the Group successfully acquired and launched The Fox – a London Pub in the Viaduct, and post financial year end we have acquired another venue (The Velvet Bar) in the same Viaduct precinct. These recent acquisitions further add to our portfolio of high performing, quality venues and provide GSH with a great opportunity to build on its position as a leading hospitality provider in New Zealand. Furthermore, having three prime venues (Danny Doolan's, The Fox and the Velvet Bar – which is in the process of being re-furbished and is expected to open later this year) located within the Viaduct precinct will provide GSH with material operational synergies.

As previously announced to the market, GSH expects to lose one of its principal Viaduct venues (O'Hagan's) when the current lease expires in December 2022, which is expected to have a material impact on the future earnings of the Group. However, this negative impact is

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expected to be partially offset by positive earnings contributions from the recent acquisitions and refurbishments of The Fox and Velvet Bar.

Subsequent to year end, the Group has been negotiating with its lender to extend its banking facilities which currently expire on 31 December 2022. At the time of writing, the Group has not yet received the requested extension to its debt facility. However, the directors are confident that an extension will be finalised prior to the release of the Group's audited financial statements on or before 30 September 2022.

The Company's lender has been supportive over the past couple of years during an unprecedented global pandemic, but is now looking for a concrete plan to address the current financial position of the Company. As a result, the Board has sought input from Tonnant Partners on potential strategic options available to the company, beyond what is currently an organic growth strategy. This strategic options review is now underway, and we will update the market with any material developments as they progress.

GSH Chairman, Matt Adams, said: "GSH delivered a respectable operating result in FY22 despite the significant headwinds and challenges created by COVID. After a challenging and unprecedented period for the hospitality industry, the Group is pleased to start FY23 with strong momentum and a reaffirmed commitment to deliver value to our shareholders as the hospitality industry returns to a pre-COVID trading environment. We thank all shareholders, staff, suppliers and of course our valued customers for their ongoing support."

ENDS

For further information, contact:

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About Good Spirits Hospitality Limited: Good Spirits Hospitality is a NZX Main Board-listed investment company focusing in the Hospitality sector (NZX: GSH). Good Spirits Hospitality Limited owns and operates hospitality venues in New Zealand's North Island, providing places to connect with others and world class standards to provide lasting and memorable experiences to our guests and customers.

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