

Chair & Chief Executive Officer's Report

“The more you understand your customers, the more professionally you can serve them. We pride ourselves on always being available to our customers, from the top down.”

Tony Falkenstein, Chief Executive

Year ended 30 June 2023 highlights

TOTAL REVENUE
\$36.7m

0%

EBITDA
\$7.5m

-7%

NET EARNINGS
\$2.2m

-3%

EARNINGS PER SHARE
2.2 cents

DIVIDEND PER SHARE
1.2 cents

TOTAL ASSETS
\$55.0m

-6%

Overall Financial Performance

The directors are pleased to report the financial results for the year ended 30 June 2023.

Like many other businesses, we found this to be one of the most challenging years in our history, principally due to the changing economic environment. We have responded to these changes, and believe we have a strong skill base for the business going forward.

Group revenue for the full year was the same as last year, and this year's second half revenue was similar to the first half.

During the year we expanded our Leadership team, appointing General Managers to operate the Healthy Living and Healthy Homes business segments. While this put pressure on operating expenses, we believe that we have laid the foundation for the future of the business.

Overall, our operating costs increased significantly, resulting in EBITDA decreasing by \$0.5 million or 7%.

Overall, earnings after tax were virtually the same as the previous year, although we do note in the previous year we booked a non-cash impairment charge of \$0.8 million.

Cash Management and Dividends

We reduced net debt by \$7.4 million during the year to \$13.1 million. The directors believe that net debt is at prudent levels with a debt/equity ratio of 48:52. A key reason for the reduction in debt was the sale of the Auckland Head Office building in August 2022 for \$7.7 million, which was nicely timed to maximise the market price.

Dividends paid out in cash during the year totalled \$1.5 million, and the acquisition of the Natural Solutions supplements business cost \$1.7 million.

The directors have decided to continue a cautious approach to the dividend stream in the current economic climate and have declared a final dividend of 0.7 cents per share for the year ended 30 June 2023. The total dividend for the year will be 1.2 cents per share (2022: 2.4 cents). The total dividend for the year is covered 1.8 times by earnings.

Business Update

The business is quite clearly divided, and accounted for, as two separate strategic business segments – Healthy Living and Healthy Homes.

1. Healthy Living – this includes the water cooler business, Just Water, and the dietary supplements business, About Health, which has integrated two further acquisitions: Herbal Ignite and Natural Solutions.

Just Water was the original business, and our base of water cooler solutions and bottled water delivery customers, established over 35 years, contributes strongly to our cash flow. Although the business-to-business market is nearing saturation, with employees expecting chilled drinking water to be available in every workplace, the home market is still in its infancy. In our view it does not make financial or environmental sense for people to be buying a bottle of water from the local supermarket or dairy when they could be filling a sipper bottle for themselves or their children from their Just Water home water cooler.

We have put a lot of emphasis on customer service, reflected in our CEO Guarantee of treating each customer as though they were a member of the Just Water family. We regularly exceed our target of 98% of calls being answered first time.

About Health is known by its product brands, and in particular Lester's Oil, Res-V, Element 12 and Herbal Ignite. We have recently entered into retail partnerships with Health 2000 and Life Pharmacy, and the retail channels will be an ongoing focus in 2024.

In May we launched a TV infomercial campaign for our Lester's Oil product with record results. We anticipate continuing to use this media channel in the future.

Herbal Ignite is now available in all Health 2000 stores, and we are delighted with the sales results to date.

We plan to launch the product internationally at the world's biggest natural products trade fair, Natural Products Expo in the United States in March 2024. The intent is to also sell through Amazon Online about the same time. Although unlikely to impact the 2024 results, it will be a major part of our 2025 About Health strategy.

2. Healthy Homes – this includes The Cylinder Guy, Solatube and Hometech.

The Cylinder Guy is a well-known brand and tends to be the first company people think about when their hot water cylinder leaks or stops heating. With a new website making it simple for customers to make contact, a customer can expect a written quotation quickly, with no surprises.

Solatube is a key product for the Healthy Home business – it is a tubular skylight, which is favoured over conventional skylights because it does not allow UV light or the sun's heat to enter the room. Solatube is installed by a dedicated licensee network throughout New Zealand.

Hometech is the ventilation specialist and operates directly with customers as well as building companies and Kāinga Ora. It offers a ventilation solution for every requirement.

Our Team

Over the year we have made significant progress in revitalising our team culture and building capability. Our team member survey shows a 72% positive engagement within the business, and we are always trying to improve this in our annual goals.

The New Zealand labour market has tightened, and there has been upward pressure on wages, which has required us to review how we incentivise team members. We are proud that team member turnover has been low.

The directors would like to thank all team members for their commitment to the business – for many individuals it has been, and continues to be, a tough economic environment. We appreciate your continued support.

The Future

The Company has always been profitable, and for the last 7 years has been in a position to pay a dividend to shareholders. This year we have had to tighten our belt, both within the company and to shareholders, which we believe is a prudent approach in the current economic environment.

We have a portfolio of excellent brands, a great team, fantastic culture and good processes. On this basis we will aim to drive sustainable customer growth in the coming financial year.

We thank shareholders for their commitment to the business.



Phil Norman
Chair



Tony Falkenstein
Chief Executive