Savor 2024 – AGM, 30 Sept, 10:00am MUFG

Paul Robinson – Executive Chairman

Good morning, I am Paul Robinson Savor Group's Executive Chairman, it is my pleasure to welcome you to Savor's Annual Meeting for 2024.

Savor Group started this year in a strong position, the prior year's trading delivered revenue of more than $62m, EBITDA of $9m and a leverage ratio of 1:1. These results were attributable to Savor's strong market positioning and cost-out initiatives focused on labour and cost of goods sold. Together these resulted in an industry leading net extraction rate for Savor Group of 14.3% in FY 24.

Subsequent to these strong results, Savor reset its banking relationship, moving to ANZ which provides the Group greater flexibility and liquidity management.

The successes of last year meant Savor was well positioned to navigate the current, extremely difficult year for the hospitality industry.

Nationwide but particularly in Auckland there have been several high-profile hospitality closures.

The well-documented cost of living crisis facing consumers has led to significant top-line pressures on all hospitality market participants.

I am pleased to report Savor Group has navigated these tough market conditions relatively well. By continuing the focus on cost-out initiatives the Group has further improved wage ratio costs to 42% of revenue vs 44% last year and Savor's net margin figure remains steady at 13% while will improve over the summer months.

Savor has several hard earnt advantages which allow us to offset to some extent the issues besetting the wider market:

1. Savor's purchasing power and our strong relationship with suppliers enable us to continually deliver pricing value for our customers while maintaining our margin.

   Evidence of this is the revenue driving "Savor Festival" over winter, in which customers benefited from discounted offerings but margins were maintained through the support of key suppliers.

2. Savor Management is disciplined, maintaining focus on the balance between excellent customer service and cost controls in labour and input pricing. The executive has been dynamic in reacting to intra-day trading dips, adjusting rosters in real time and substituting menu items weekly to keep costs to the customer down.

3. Savor's price point and market positioning is carefully managed. We ensure customers always see value in our offering. As such we have been better able to protect top line results than market conditions would suggest (with YTD through August unadjusted Revenue of $21m).

4. The approachable-premium end of the market Savor operates in has proved resilient provided the quality of the product, the standard of service and the physical restaurant environment match our customers' expectations.

As such the Group's venues have benefitted from the "two-speed economy" we have witnessed in the past year. For this reason, Savor continues to invest in the quality of our staff and our venues.

Brand Mix and Relative Contribution:

We are often asked about the relative contribution of each of the Savor venues. To illustrate I have included a pie graph at the revenue line to give you a high-level view of the breakdown per offering.

Viewed on an average weekly basis Amano continues to be Savor's highest revenue contributor with sales of more than $220,000, Amano bakery accounts for a further $70,000 of sales. The Amano success is closely followed by Bivacco which delivers sales of over $210,000 and Non-Solo Pizza which delivers over $120,000 each week.

The next grouping comprises the Japanese restaurants: Ebisu, the two Azabus, Oji (combined) and the Fish Markets. Each of these venues average sales of over $60,000 a week. The other group of venues combine to produce circa $60,000k per week on average as well.

It is this consistency of revenue at these venues that is one of the keys to Savor's success, allowing Management to staff, order and plan with accuracy over the course of the year.

We believe this stability of revenue reflects the consistency and excellence in our product offering and it is this which sets Savor apart from our competitors.

Update:
Turning to the current year, in the FY 24 accounts we highlighted Savor's Seafarers business had entered a wind down period, with the building lease expiring in November 2025. The goodwill attached to this business has been written off in its entirety and we are looking forward to rationalising this business and realising the substantial cost savings while maintaining a significant presence in Britomart.

To provide some context of what revenue for the year to date would look like on a normal trading basis (excluding the NSP refit closure and the Seafarers run-off) it would be $22m, only 8% down from the prior year on like for like sales. EBITDA on a similar basis would be $3.6m or 10.6% down on the prior year excluding the one-off items discussed.

Speaking to you from the vantage point of September, it is salient to note that each year the lion's share of Savor's annual profits, over 65%, is delivered in the summer months.

Our confidence is enhanced by noticeably improved consumer sentiment and the recently observed spend bounce back post the cut to cash rate in August. We are cautiously optimistic that our 2025 summer trading will be as healthy as last year's.

As mentioned, the electricity supplier Vector informed us of the need for mandatory upgrades to the Parnell High Street switching board which is located right in the middle of our third most profitable restaurant, Non-Solo Pizza. This has impacted our reportable results.

We were told this work would require a shoulder deep trench to be dug through the venue and significant remedial work, this was expected to take 5-6 weeks. Vector gave Savor the option of when the work would be done but no ability to protect our trading by staying open during that time. Insurance did not cover loss of trading in these circumstances as it was not an "Act of God" and Vector owed no duty to make good our losses other than to restore the physical building.

To take advantage of the mandatory closure Savor negotiated a deal which deepened our relationship with Constellation Wines and allowed us to refit the restaurant contemporaneously with the Vector upgrades.

Lucien Law, our CEO will give detail on the commercial aspects of the deal and the improvements made to the restaurant in his address.

I would just say if you have the opportunity, please drop in to NSP and see our newly designed areas for yourself. The feedback from our customers and its revenue rebound has been very encouraging.

Corporate Structure:
Disappointingly the New Zealand Stock Market has failed to recognise Savor's consistently improving results and has undervalued the growth opportunities and potential off market value of our Group.

With Savor shares trading at or about two times earnings and having observed in the past eighteen months two private market hospitality transactions in which both groups have been sold at five times earnings, the Savor Board has given serious consideration as to what corporate structure will serve the company best in the future.

We undertook rigorous analysis and conversations with key stake holders to evaluate the optionality value implicit in the public market should rates and trading return to normal. Consequently, the Board has concluded that in the absence of a concurrent M&A transaction, the most prudent approach is for Savor remain as it is currently structured but look to reward its shareholders more directly. We believe the best way to provide value to our shareholders until the general market improves is to closer align of shareholders with a business owners mindset.

With this in mind Savor's Board has decided to return capital to our shareholders by way of a share buyback for holdings under $1,000 and to adopt a dividend payment policy in 2025 to reward shareholder loyalty.

These initiatives together with the introduction next year of Savor Shareholder discounts, will bring Savor shareholders closer to the business and our restaurant offerings. We want our shareholders to enjoy, commit to and feel part of our dynamic business.

I would like to thank you all for continuing to support of Savor. I now turn you over to our CEO Lucien Law.

Thank you.

Lucien Law - CEO

Good morning, everyone.
My name is Lucien Law, and I'm the CEO of Savor Group.

Today, I'll be covering three key areas for our company:

- First, the group-wide **Savor Food Festival**.
- Next, the **refurbishment of NSP**.
- Lastly, our **growth plans for the future of Savor.**

The Savor Food Festival.

The **Savor Food Festival** was designed with several key objectives in mind. First, we aimed to address the challenges posed by the rising cost of living by providing more value-driven dining opportunities, especially during the anticipated economic downturn in the winter months. This initiative allowed us to reward our loyal customers while attracting new patrons who may not have visited our venues otherwise.

This was the first group-wide promotion in 14 years, fully embraced by our staff, who acted as ambassadors for the Group. We crafted our menus carefully, ensuring we maintained margins while simultaneously driving foot traffic and increasing revenue across all venues.

The timing of the festival was strategic, set to fill a quieter trading period and build momentum leading into the summer peak. A vital component of the festival's success was the strong collaboration with our key suppliers, including Peroni, Allpress, Moet Hennessy, and Pernod Ricard, whose support was essential in bringing the festival to life.

For our **Campaign Strategy**, we executed a unified approach across various media platforms, significantly boosting brand visibility.

We utilized a diverse range of channels including social media, radio, billboards, street posters, websites, and direct emails, ensuring comprehensive coverage across central Auckland.

This extensive media presence helped generate high audience engagement, setting a strong foundation for the upcoming summer season.

In terms of **Performance & Metrics**, the Savor Food Festival successfully reversed a 15% drop in visitors that we experienced over the winter. By the fourth week, we had not only recovered but also achieved year-on-year growth.

Despite offering promotions, the average customer spend remained consistent, with many guests purchasing more, which further contributed to our overall success.

NSP

Earlier this year, we faced infrastructure challenges when Vector informed us that they needed to upgrade a transformer near our Osteria Bar, which required trench work through the bar and street. We took the opportunity to upgrade our aging kitchen, which had been in need of repairs after decades of use.

We also strengthened our relationship with **Constellation Brands NZ**, resulting in a renovation of the front bar and a significant upgrade to our **Private Dining Room (PDR)**. This partnership will also bring a unique Napa Valley wine tasting and wine-paired dining experience to the PDR, adding a new dimension to our offerings.

The investment in these upgrades has not only improved the space but also opened up increased revenue potential, especially since Parnell lacks private dining venues. We're eager to start marketing this well-appointed space as we approach the Christmas season.

In terms of the **Private Dining Room**, it had been functional but dark and outdated, so we fully renovated it. We added a more substantial wall for improved soundproofing and installed wine fridges to enhance the atmosphere. A custom dining table now seats up to 22 guests and can be adapted for cocktail events. We're finalizing a partnership with a leading New Zealand gallerist to showcase rotating exhibits from top local artists. Enhanced lighting and a large TV screen allow us to market the space for corporate events and workshops, making it a great alternative to the CBD.

Similarly, the **Osteria** had become worn and tired over the years. One major issue was the patchwork roofing, which wasn't waterproof, leading to lost turnover on rainy days and damage to the furniture. Through our partnership with Constellation Brands NZ, we invested in upgrading both the front and back of the bar, including new furniture. The new glass roof has brought in natural light and solved the waterproofing issue, transforming the space. Our loyal NSP customers have responded positively, with strong revenue returning after the July school holiday closure.

Growth

Over the past 18 months, we've been presented with numerous opportunities in both Auckland and throughout New Zealand, from operators and potential landlords alike. Many of these offers included significant landlord incentives or attractive pricing, but we've chosen to decline a lot of them.

The reason for this is straightforward. Last year, our focus was on optimizing our existing brands and delivering on what we said. More recently, we've been waiting for the market to shift—and we believe it is now turning. At the same time, we've ensured that our performance remains strong, and we're confident in how robust our operations have held up.

Secondly, we believe it's wise to invest in our highest-value brands and the areas where we believe we lead the market. For us, that means focusing on **Amano** and our **Japanese offerings**;

Today, I'm pleased to share the topline of our growth strategy: we're working on two new venues, which we expect to open in the summer of 2025.

Our growth plans begin with **Amano**. With revenue exceeding $15 million last year, Amano stands as one of New Zealand's most successful restaurants, catering to any occasion—from casual breakfasts to elegant dinners. Building on this success, we've introduced **Amano Deli**—a smaller, more focused extension of the Amano brand that requires a lower capex investment.

Amano Deli offers the same commitment to seasonal, sustainable, and locally sourced ingredients, but in a more accessible format. With freshly made pasta, homemade sauces, and daily-made gelato, the deli features a smaller all-day menu, allowing customers to enjoy Amano classics. Amano Deli continues to deliver exceptional flavor and quality, whether for dining in or taking home.

Next, we're expanding our Japanese offerings with a new restaurant and bar, set to open in Summer 2025. With over $10 million in combined revenue from **Ebisu** and two **Azabu** locations, we're confident we have the expertise and team to take this to exciting and unique.

Our new venue will embody our interpretation of a **Japanese Izakaya**, offering a high-energy, bar-meets-restaurant experience. Having launched **Ebisu** over 13 years ago, I'm excited to apply all the learnings from that success into this new concept, which will bring something fresh and innovative to Auckland's dining scene.

While I can't reveal the exact locations of these two new venues just yet, we can say that they are centrally located in premium areas.