

# 2020 ANNUAL SHAREHOLDERS MEETING



**ESQUIRES**  
THE ORGANIC COFFEE CO.



30<sup>th</sup> September 2020 Zoom AGM

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# Agenda

- I. Executive Chairman's Introduction
- II. Business of the Annual Shareholders Meeting
  - i. Shareholder Discussion
  - ii. Resolutions
    1. Re-election of Directors
    2. Auditor's Remuneration
    3. Ratification of Placements
    4. Other Business



# I. Executive Chairman's Introduction

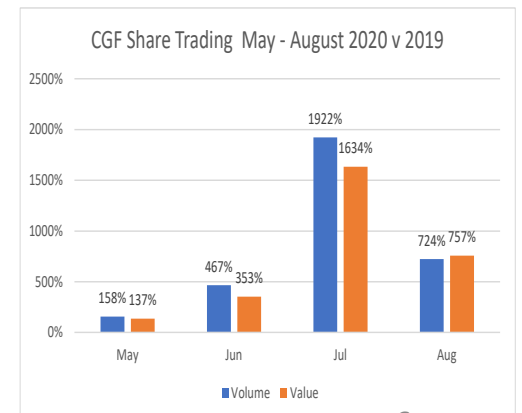
# CGF - Current Status – Overview – Core Business

- CGF had good momentum at the end of FY20 and going into FY21
- The full impact of Covid-19 is still unknown,
  - Will be significant in the first half of FY21
- Recovery has been stronger than expected in July / August in both core markets
- CGF has supported franchisees in their recovery with royalty relief
- UK is positive
  - Sales recovery assisted by Government policy
  - Triple Two was acquired in June adds scale, cashflow & profit to UK operations.
  - Central City stores most affected
  - New store program re-established (e.g. Leicester<sup>1</sup> Wolcomb pictured top)
- Ireland
  - Central City stores especially in Dublin down <sup>1</sup>
  - Regional outlets & malls trading well
  - New outlet at Roscommon (pictured lower) trading well
- Projections for FY22 & FY23
  - Projecting recovery to pre Covid sales levels by mid 2021 calendar year



# CGF - Current Status – Overview - General

- China investment fully impaired
  - The Chinese company will no longer be seeking to grow a large franchise operation in China
  - Instead it is pursuing opportunities related to self-serve coffee outlets & coffee roasting (pictured)
  - As a result of this change in business, the Directors have concluded that it is probable there will be no positive cash-flows from this investment in the near future, and that no value can be ascribed to any potential future value at this time
  - Therefore the Directors have fully impaired the investment in the associate as at 31 March 2020, leading to a write down of \$2.5 million in the FY20 accounts.
- Sale of Scarborough Fair business unit completed in July 2020
- Corporate stores in UK being sold
- Trading of shares has gained significant liquidity
  - July value traded 16.3 times 2019
  - August was 7.6 times 2019 value
  - Opportunity to dual list in future in offshore market



# CGF - Current Status – FY20 Summary

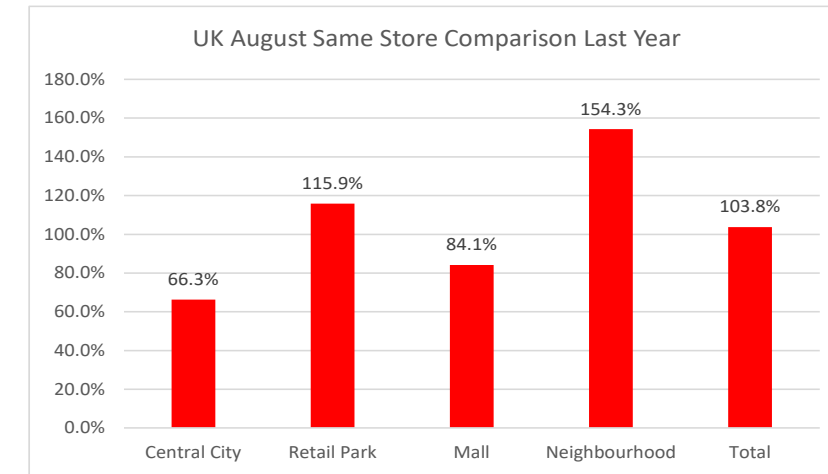
- Cash flow from continuing operations
  - FY20 was \$193k positive after deducting interest of \$1,414K
  - Prior year loss of (\$2,404k) after deducting interest of \$289k
  - Improvement of \$2,597k as restructuring initiatives are realised.
- Operating loss from continuing operations
  - EBITDA loss improved to \$35k
  - Prior year loss of (\$2.4) million
  - Improvement of \$2,365k
- Covid-19
  - Impacted all markets from mid-March 2020
  - Revenue declines supported by various levels of government support packages that offset the full negative impact.
- Recovery in core markets has exceeded expectations to date
- China investment written down to zero as at 31<sup>st</sup> March 2020



# CGF – UK Post-Covid lockdown recovery trends positive



- Sales in UK have been strong, assisted by government policy
  - August sales 103.8% of last year
  - Eat Out, Help Out (EOHO) has been embraced by consumers
    - Program provided 50% discount per person up to £10 per head maximum
    - Applied to dine in occasions only for August calendar month – (Monday-Wednesday)
  - VAT on hospitality sales reduced from 20% to 5% until 31<sup>st</sup> March 2021
- Channel trends show challenges of central city locations currently
  - Central city stores 66.3% of last year
  - The Guardian reported - 2<sup>nd</sup> September; approx 39% of the UK workforce is working remotely
    - 75% of IT and professional workers continuing to work at home
    - This was before the latest appeal for people to work<sup>1</sup> from home if possible
  - Retail Parks are in suburbs and are performing strongly
  - Mall performance positive v budget but down on last year
    - Reduced hours, social distancing of tables & restrictions on numbers in the mall
  - Neighbourhood cafes performing strongly v last year at 154.3%
- UK new store program was delayed but now being revitalised
  - 9 outlets open as at end August not open at the end August last year
  - Caerphilly in Wales (pictured) opened in January 2020
  - Net sales from new stores represented 22.4% of total for August
  - Average delay in opening due to Covid-19 is 4-5 months but no projects cancelled







# Acquisition of Triple Two Coffee (Completed June 2020)

## Current Situation

- a) 13 stores with strong new store pipeline with 3-4 new stores expected for balance of 2020
  - i. Manchester opening 2<sup>nd</sup> October
  - ii. Lakeside opening 9<sup>th</sup> October
  - iii. Newport opening early November
- b) Sales in July & August reflect locations with similar patterns to ECUK
  - i. EOHO net sales increased 33% with 23,096 redemptions in August
  - ii. Continuing sales are up 11% following the end of the scheme

## Acquisition logic

- a) Synergies to Esquires UK
- b) Profit adds significantly to ECUK earnings in year 1 & beyond
- c) Locations compliment existing Esquires network

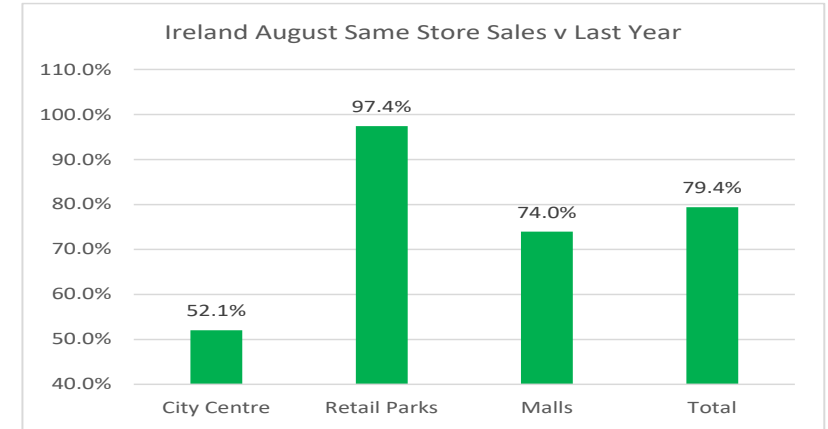
## Management

- a) Triple Two management will stay on
- b) Earn out over 3 years
- c) Report to ECUK



# CGF – Ireland Post Covid recovery Channel analysis reflects global trends

- August Sales in Ireland reflect global behaviour patterns
  - Sales 79.4% of last year
    - Reduction in VAT for 6 months to 28<sup>th</sup> February 2021 from 23% to 21%
    - Applies across the board & not specific to hospitality
  - City Centre challenging
  - Retail Parks strong
  - Malls behind last year due to revised opening rules
- Channel analysis tells the story
  - Irish city centres well down due to lack of workers & tourists
- Smaller city retail parks very strong in their neighbourhoods
  - Clonmel, Carrick, Longford are strong outlets in smaller centres
- Shopping malls performing well given:
  - Only open 6 days compared to 7 days per Covid
  - Operating on limited hours each day compared to pre-Covid
  - Social distancing for tables means seating at approx 40% of prior capacity
- New Store program
  - Roscommon (pictured) opened for only 4 days pre initial lockdown
  - Store has re-opened strongly in July & August



# Summary

- ✓ Operational Activity
  - ✓ CGF has made good progress in recent years
  - ✓ Continuing business projected to be profitable at EBITDA despite Covid in FY21
  - ✓ UK & Ireland core business is a solid base
  - ✓ Acquisition of Triple Two in UK will deliver in FY21
  - ✓ Company has reduced the corporate overhead cost base
  - ✓ Assuming “new normal” trading patterns continue with no further major national lockdowns in core markets
- ✓ Balance Sheet
  - ✓ Being further restructured during H2 FY21
- ✓ Trading of shares has gained significant liquidity
  - ✓ Following the Triple Two acquisition in June
    - ✓ Value traded June–September 2020 was 6.0 times 2019
    - ✓ Volume June–September 2020 was 7.2 times 2019 volume
- ✓ FY22 projected to recover from the FY21 Covid impacted year and resume growth trajectory





1  
2

## Q&A

Please send your questions privately to **Admin** or send to everyone via Zoom chat if you want the question to be public.

# Resolutions

Please vote by sending the following information to **Admin** via Zoom chat.

Shareholder CSN:

(Please provide)

Resolution 1 (Re-Election of Michael Hutcheson):

(Please select: F/A/D \*)

Resolution 2 (Auditors):

(Please select: F/A/D \*)

Resolution 3 (Ratification of Placements):

(Please select: F/A/D \*)

FOR/AGAINST/DISCRETIONARY



# RESOLUTION ONE



## RE-ELECTION OF MICHAEL GEORGE RAE HUTCHESON

“That Michael George Rae Hutcheson, who retires in accordance with NZX Listing Rule 2.7.1, and being eligible for re-election, be re-elected as a director of the Company.”

PROXIES	FOR	AGAINST	DISCRETIONARY
VOTES	278,365,429	306,286	148,554
PERCENTAGE	99.84%	0.11%	0.05%

## RESOLUTION TWO

### AUDITOR'S REMUNERATION

“That the Board is authorised to fix the auditor’s remuneration.”

PROXIES	FOR	AGAINST	DISCRETIONARY
VOTES	278,365,429	306,286	148,554
PERCENTAGE	99.84%	0.11%	0.05%

## RATIFICATION OF PLACEMENTS

“that, in accordance with rule 4.5.1(c), the issue of 101,853,882 equity securities by the Company during the past 12 months is ratified”

PROXIES	FOR	AGAINST	DISCRETIONARY
VOTES	278,365,429	306,286	151,554
PERCENTAGE	99.84%	0.11%	0.05%





**ESQUIRES**  

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**THE ORGANIC COFFEE CO.**



**THANK YOU.**

