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ADDRESS: DGL: DGL - 2014 Annual Meeting Addresses

Annual Meeting of Shareholders

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2pm, Tuesday 2 December 2014

1. Welcome and Introductions

Ladies and Gentlemen, On behalf of the **Board**, I am pleased to welcome you here today to the ninth Annual Meeting of Delegat **Group** Limited since listing in April 2006. My name is Jim Delegat and I have the privilege of chairing your **Board** of Directors. There is a quorum present and given the time is now 2p.m. - I declare the meeting open for **business**.

(Slide 1)

Let me first introduce you to my fellow **Board** Members, Rose Delegat, Jane Freeman (Chair of Remuneration and Nominations Committee), Alan Jackson (Chair of Audit & Compliance Committee), Bob Wilton and Graeme Lord (Managing Director). Also on the dais is Murray Annabell, the **Group's** Chief Financial Officer, who will act as our minute secretary. Delegat is a growth **company** with the strategy to build global super premium **wine company**. This strategy necessitates the need for strong management and succession planning. Accordingly throughout the year appointments have been made to enable the strategy. The appointment of Graeme Lord to the position of Managing Director. The appointment of myself to the newly created position of Executive Chairman. Bob Wilton who has been closely associated with the **group** for some 28 years has accepted the invitation to remain on the **board** as a director. We take this opportunity to acknowledge Bobs contribution over the many years of his involvement. Thank you Bob. Having acknowledged these appointments I now also welcome our auditors, Ernst & Young and the **Group's** legal counsel, Jones Young to the meeting.

2. Proxies I can advise the meeting that Directors and others hold proxies and postal votes for 78,561,533 shares, representing 77.7% of the share capital of the **Company**.

3. Apologies To open, are there any apologies? Thank you - those apologies will be recorded in the minutes.

4. Notice of Meeting The notice of meeting has been sent to all shareholders together with the Annual Report, and I propose that, together with the agenda they be taken as read.

5. Minutes of Previous Meeting The minutes of the eighth Annual Meeting held on 5 December 2013 have been approved by the Directors, and Murray Annabell is holding a copy for inspection should any shareholder wish to see them.

(Slide 2) 6. Procedure Firstly, I will address the Annual Report incorporating the Directors Report, Financial Statements and unqualified Audit Report covering the year to 30 June 2014 and give a brief overview for the balance of the year before handing the meeting to the Managing Director who will provide a more fulsome report of **operations** and achievements and the prospects of the **Group**.

Following Mr Lord's remarks I will open the floor for discussion on the Annual Report and Chairman's and Managing Director's presentation before moving on to the formal **business** of the resolutions.

Chairman's Address Slide 3 - Executive Chairman's address

As Executive Chairman my focus is on providing strategic direction and monitoring performance to ensure successful delivery of **Board** approved **business** plans. I invest a significant amount of my time on capital projects and growth initiatives.

During the year Graeme Lord was appointed Managing Director. Graeme originally joined the **Group** 15 years ago and for the past 6 years has served as General Manager, Global Sales and Marketing. As Managing Director, Graeme Lord leads the **company** with responsibility for developing growth plans, building a high performing organisation and executing **business** plans.

In my address I will report on high level performance, our key investment projects and funding. Graeme will cover 2014 performance in more detail and the **Group's** future growth plans.

Your **company** is one New Zealand's great growth stories. Over the last 6 years we have grown Operating Net Profit After Tax more than threefold to \$31.4 **million** and we have grown Shareholders Funds (Net Assets) by more than \$100 **million** to \$249 **million**.

Slide 4 - A Year of Record Performance

On behalf of the **Board** of Directors of Delecta **Group** Limited, I am pleased to report a year of record performance on our journey to build a leading Super Premium **wine company**.

Delecta achieved Sales Revenue of \$222.5 **million** on record global case sales of 2,031,000 in the 2014 year.

The North America region became the **Group's** largest by sales volume for the first time. This milestone is the culmination of years of **brand** development effort in the United States and Canada, markets that will remain the engine of growth for your **company** over the next 5 years.

A record Operating Net Profit After Tax of \$31.4 **million** was generated compared to \$26.3 **million** last year. The strong growth in operating profit was primarily due to improved Gross Margin which arose from the **Group** achieving economies of scale in grape growing and winemaking. The **Group** also achieved a record reported Net Profit After Tax of \$42.6 **million** in accordance with the New Zealand equivalents to International Financial Reporting Standards (IFRS).

The **Group** achieved a record harvest of 35,127 tonnes in the 2014 vintage. The New Zealand harvest was 34,123 tonnes, which was 18% higher than the prior year's vintage. The Australian harvest for Barossa Valley Estate amounted to 1,004 tonnes in the first vintage since **acquisition** in June 2013. The 2014 vintage delivered excellent quality in all regions and has provided the **Group** with appropriate inventories to achieve our sales growth plans.

Your **Board**, being cognisant of both dividends to reward shareholders and the need for reinvestment for a growth **company**, declared a fully imputed dividend of 11 cents per share which was paid to shareholders on 10 October 2014.

Slide 5 - Investing for Growth

The record results achieved in 2014 are testament to the strength of the **Group's business** model. Delecta **Group** is well positioned to pursue its strategic goal of building a leading global Super Premium **wine company**.

Your **company** has embarked upon a significant capital expenditure programme to deliver upon its growth strategy and provide earnings growth into the years ahead. In 2014 the **Group** invested \$32 **million** in capital expenditure.

The **Group** plans to invest a further \$86 **million** in capital expenditure in the current year to support future sales growth and to achieve sustainable competitive advantage in terms of both quality and supply.

The capital expenditure plan includes building a Hawke's Bay winery, expansion of the Marlborough winery, and new vineyard development in Marlborough, Hawke's Bay and the Barossa Valley.

Slide 6 - Hawke's Bay Winery

The **Group**'s new Hawke's Bay winery will have a long term capacity of 10,000 tonnes. This state of the art facility will be purpose built for the production of Super Premium Merlot, Pinot Gris and Sparkling **wine**. Phase 1 will be completed in time for the 2016 vintage.

Slide 7 - Marlborough Winery Expansion

The Marlborough winery is being expanded to a capacity of 28,000 tonnes for the 2015 vintage. Work is well underway and with building works complete and the tanks required for the 2015 vintage are being installed.

Slide 8 - New Zealand Vineyard Development

The **Group** planted 78 hectares of new vineyard in Marlborough and Hawkes Bay in 2014 and owns additional land that will enable the planting of another 272 hectares in 2015 and beyond.

The **Group** has now secured viticultural land in the prime areas of New Zealand's leading **wine** regions that will enable supply of the 2019 Oyster Bay sales projection of 2,834,000 **million** cases and allow for further growth beyond this period.

Slide 9 - Barossa Valley Vineyard Development

The **Group** has 51 hectares of new vineyards in Barossa Valley in 2014 and owns additional land that will enable the planting of another 93 hectares in 2015 and beyond. This land **acquisition**, together with an expanding grower programme, has the **Group** well positioned to achieve sustainable long term growth of the Barossa Valley Estate **brand**.

Slide 10 - Funding Growth

The **Group** intends to fund its growth plan through retained earnings and bank debt. In the year under review Net Debt increased by 14% to \$154 **million**. Your **Board** is pleased to announce that today it has approved five year syndicated bank debt facilities that will fund the **Group**'s growth plan. The **Group**'s long term bankers Westpac are the **lead** bank in the syndicated facilities with new banking relationships being established with both the Bank of New Zealand and ASB. The syndicated facility is for \$250 **million** in the current financial year increasing to \$350 **million** thereafter.

Slide 11 - Executive Chairman Concluding Remarks

The record results achieved in the year under review are testament to the strength of the **Group**'s **business** model. 2014 was a year of record performance on our journey to build a leading Super Premium **wine company**. I am delighted to advise that at the recent Deloitte Top 200 **Company** Awards, the **Company** was the winner of the 'Best Growth Strategy' award. I personally am as excited about your **company**'s performance, strategy and growth plans as I have ever been. On behalf of the **Board** I would like to take this opportunity to acknowledge our Delegat Great **Wine** People around the world. Our multinational team has once again worked powerfully together to achieve extraordinary results.

I would also like to take this opportunity to thank the **Board** for their contribution to the **Group**'s ongoing success.

Managing Director's Address Slide 12 - Managing Director's address

Good afternoon Ladies and Gentleman, it is a privilege to meet with you today to discuss the performance and growth plans of your **company**.

In this address I will report on 2014 performance, the development of our global **business** and the **Group**'s future growth plans.

Slide 13 - New Zealand **Wine** Industry Growth

The New Zealand **wine** industry remains an international success story; it is recognised as a leading producer of elegant, cool climate wines. New Zealand **wine** exports grew 9% to a record \$1.33 **billion**. A significant portion of industry growth came from North America, with the United States and Canada growing 12% and 9% respectively.

The 2014 New Zealand industry harvest was a record 445,000 tonnes which was 29% ahead of the prior year. This record industry harvest was primarily driven by an excellent growing season which resulted in higher than normal yields for Marlborough Sauvignon Blanc. Quality orientated growers and companies, including Delegat, were careful to manage vineyards to moderate yields in order to deliver high quality. The inventory from the 2014 vintage will support growth in industry exports over the coming year.

Slide 14 - Global Sales Performance

The **Group** achieved record global sales of 2,031,000 cases in the year, which is 4% higher than the previous year. The **Group's** sales are well diversified by market with 38% in North America, 33% in the Australia, New Zealand and Asia Pacific region, and 29% in Europe including the United Kingdom. Adverse foreign exchange rates resulted in case price realisation of \$110, compared with the \$114 achieved in 2013. This was despite in-market case price realisations being maintained in each of the major markets.

The **Group** has continued to invest in the development of its own in-market distribution channels to drive long-term growth. The **Group's** Sales and Marketing team now comprises 158 people, of whom 139 are based offshore in Australia, the United Kingdom, the United States, Canada, Singapore, **Hong Kong**, Ireland and Japan.

The Australia, New Zealand and Asia Pacific region is a combination of established and emerging markets. Overall sales in the region declined by 1% to 668,000 cases. This result was ahead of the 621,000 forecast in last year's Annual Report as sales in Australia were more resilient than expected, despite challenging trading and economic conditions during the year.

Australia and New Zealand are established markets for the **Group** and the Oyster Bay **brand** continues to achieve standout market performance as a Super Premium category leader across all varietals. The **Group** achieved record sales volumes in other markets in the region, including **Hong Kong** and Singapore. During the year, distributors were appointed in Japan, Cambodia and Thailand; this positions the **Group** well for growth in these markets. In the United Kingdom, Ireland and Europe region, sales volumes were 3% ahead of forecast at 594,000 cases after price increases were implemented in the second half of 2013.

In the United Kingdom, Oyster Bay has maintained its Super Premium category leadership position. Oyster Bay Sauvignon Blanc, Chardonnay and Merlot are the top selling wines above 8 in their respective categories. Oyster Bay Pinot Noir is the top selling Pinot Noir above 9. During the year, Oyster Bay became the number one selling sparkling **wine brand** above 10 by value with considerable further growth potential.

The **Group** continued to achieve strong growth in North America, increasing sales volumes by 15% to 769,000 cases.

In the United States, the Oyster Bay **brand** continued its strong growth as consumers are increasingly embracing elegant, cool climate **wine** styles. The **Group's** success is underpinned by its well-established in-market sales team working effectively with state distributors. Oyster Bay is the leading Sauvignon Blanc over US\$10 in key markets including New York, Miami and Southern California. Strong sales growth was achieved with Oyster Bay Sauvignon Blanc, arising from both increased distribution and greater rate of **sale** per point of distribution. Oyster Bay Chardonnay and Pinot Noir are earlier in their respective growth curves and represent significant long-term expansion opportunities.

In Canada, sales continue to grow in all provinces. Oyster Bay Chardonnay is the top selling Chardonnay above \$15 in Canada. Pinot Grigio has quickly become a category leader over \$15 in both British Columbia and Alberta.

Slide 15 - Major Awards and Accolades

The **Group's** wines continue to receive major awards and accolades from the world's leading **wine** commentators and competitions.

Our very first vintage of Barossa Valley Estate Grenache Shiraz Mourvire (2012) was awarded a Blue **Gold** Medal at the Sydney International **Wine** Competition.

Oyster Bay Hawke's Bay Merlot 2013 was awarded Top 100 and a Blue **Gold** Medal at the Sydney International **Wine** Competition.

Oyster Bay Pinot Noir 2013 was awarded a **Gold** Medal and 91 points at the San Francisco International **Wine** Competition 2014.

Oyster Bay Sparkling Cuvee Rose was awarded 90/100 Points by Canada's most acclaimed **wine** writer, Natalie MacLean.

Oyster Bay Sauvignon Blanc was awarded Premium White **Wine** of the Year for the eighth time at the Australian Liquor Industry Awards 2014.

Slide 16 - Focus

As outlined at last year's Annual Meeting the **Group's** strategic goal is to build a leading global Super Premium **wine company**. The **Group** will build global brands from world leading regions, concentrating on the **wine** styles for which those regions are internationally renowned.

To pursue its strategic goal, the **Group** is focused on establishing Oyster Bay and Barossa Valley Estate as two of the world's great Super Premium **wine** brands.

Slide 17 - Oyster Bay

For the third year running, Oyster Bay was named 'One of the World's Most Admired **Wine** Brands' by Drinks International magazine and, in addition, received the 'Hot **Brand**' award for the fourth consecutive year from New York's Impact Magazine.

Oyster Bay is an established leader within the Super Premium Sauvignon Blanc, Chardonnay, Pinot Noir and Merlot categories. There are significant global growth opportunities with these varietals, together with Pinot Gris and sparkling **wine**.

In the major markets of the world, the **Group** continues its focus on developing consumer awareness and **brand** connection across the Oyster Bay range of cool climate varietals.

Slide 18 - Barossa Valley Estate

A significant focus in the year in review has been on the development of the Barossa Valley Estate **brand** and range of Super Premium wines. The launch of Barossa Valley Estate to key markets around the world, subsequent to year-end, marks a significant milestone on our journey to build one of the world's leading Super Premium **wine** companies.

Barossa Valley Estate evocatively represents one of the world's most celebrated **wine** regions. Its powerful identity and standout range of elegant red wines are made to appeal to aspirational **wine** lovers seeking a modern expression of the wines that made the Barossa great: Shiraz, Cabernet Sauvignon and Grenache Shiraz Mourvire.

We will have the opportunity to experience the Barossa Valley Estate range of wines following the conclusion of the meeting.

Slide 19 - Sales Growth 2014 to 2019

Delegat **Group** plans to grow sales by 52% to 3,094,000 cases over the next five years. The planned growth will be primarily driven through sales growth in North America and development of the Barossa Valley Estate **brand**.

In the Australia, New Zealand and Asia Pacific region, sales volume is projected to grow by 44% to 964,000 cases by 2019. Growth in Asia and from Barossa Valley Estate underpins projected growth in the region. Since year-end the **Group** has established an in-market sales subsidiary in Japan. The Delegat Japan team will work alongside the appointed distributor to establish and grow the **Group's** brands in the market. In the 2015 year, the **Group** will also establish an in-market sales operation in **China**.

Sales volume in the United Kingdom, Ireland and Europe region is expected to grow by 18% to 703,000 cases over the next five years. The resumption of growth in the sales plan for the region is driven by targeted distribution growth and the development of new markets in continental Europe.

North America is the largest Super Premium **wine** market in the world and will be the key growth region for the **Group** over the next five years, with strong growth projected to continue in both the United States and Canada. The **Group** plans to increase sales volume in the region by 86% to 1,427,000 cases by 2019. Achieving this plan will provide in-market distribution scale benefits and sustainable earnings growth.

Slide 20 - Forecast 2015

The **Board** is confident that the investment in growth will deliver strong returns for Shareholders and expects to achieve sales growth of 9% to achieve record sales of 2,205,000 cases in the 2015 year.

Based on prevailing currency exchange rates, the **Group** is on track to achieve a forecast Operating NPAT of \$34 **million** which is in line with consensus and 8% higher than last year.

Slide 21 - Summary

We have built the foundations for a leading global Super Premium **wine business**. Delegat **Group** plans to grow sales by 52% to cases over the next five years.

To achieve this we must build one of the highest performing organisations in the global **wine** industry. This is a challenge that our teams throughout our **company** accept with relish. Our people aim high, work hard, focus on attention to detail and support each other in high performing teams. I wish to personally thank each of our Great **Wine** People for their commitment to our **business** and the results they have collectively achieved. Thank you.

Slide 22 - Thank you

Thank you, Graeme for a very comprehensive presentation.

Shareholder's Questions and Discussion Are there any questions in respect of the Annual Report, my Chairman's presentation or the Managing Director's presentation? Thank you - I will record that the 2014 Annual Report has been received and considered. Now we will proceed to the Ordinary **Business** on the Agenda. The Resolutions numbered Agenda Items 2 & 3 are both ordinary resolutions.

Election of Directors At this time it is appropriate to hand the meeting to Bob Wilton to carry out this part of the process. Thank you, Bob. Agenda item 2 Re-election of Jim Delegat In accordance with the rotation provision of the constitution Jim Delegat retires from office and being eligible offers himself for re-election. Jim will now briefly address the meeting.

Re-election of Dr. Alan Jackson as Director In accordance with the rotation provision of the constitution Dr. Alan Jackson retires from office and being eligible offers himself for re-election. Alan will now briefly address the meeting.

Agenda item **B**: General **Business** I now look to the final item on the agenda: General **Business**. Are there any items of General **Business**? Is there any discussion? Thank you.

At the conclusion of the meeting the **Board** invites you all to stay for canaps and to taste a selection of your **company**'s fine products, including the Barossa Valley Estate range. It is also a time to mix and mingle with your fellow shareholders, **board** members and senior management.

I will declare the meeting closed and thank you for the interest you have shown in the **company**.

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