Lynch Group Holdings Limited

FY21 Investor Presentation

26 August 2021

LYNCH GROUP

Agenda and contents

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1 | Introduction – Hugh Toll

Lynch Group Overview

Floral category leader	100+ years of history	>16 years presence in China
#1 in Australia – only national scaled supplier to major supermarkets	with deep supply chain expertise	with strong platform established to accelerate growth and capture opportunity

Australia

- Dominant position in fast growing supermarket channel
- Perishable product with a complex supply chain creates significant barriers to entry
- Access to own China supply and other Tier 1 growers a competitive advantage
- Diversified supply base and flexibility in downstream distribution (e.g. SOR Stores) minimises risk and protects margins
- Low capex and high cash conversion

China

- Rapidly developing market with fast growing consumer demand expected to outstrip supply for many years
- Investment driving year-round supply of premium product
- Diversified channels to market
- Majority of production now sold via fixed price retail platform orders
- Track record of predictable and attractive ROIC on growth capex

Lynch Group Overview

Floral category leader	100+ years of history	>16 years presence in China
#1 in Australia – only national scaled supplier to major supermarkets	with deep supply chain expertise	with strong platform established to accelerate growth and capture opportunity

7	Farms with sophisticated greenhouse technology across Australia and China. Largest premium rose grower in China
6	Processing facilities producing floral bouquets or arrangements and consumer ready gift potted plant products across Australia and China
4	Market sites across Australia and China supplying Wholesalers, Florists and Online markets
2,000+	Retail stores serviced across all states in Australia and parts of mainland China
$331m	FY21 Pro Forma Revenue
$58.6m	FY21 Pro Forma EBITDA
$32.4m	FY21 Pro Forma NPATA
59%	Pro Forma EBITDA CAGR (FY19 – FY21)

Lynch Management Team

Board and Management

Patrick Elliott
Non-Executive Chair

Elizabeth Hallett
Non-Executive Director

Peter Clare
Non-Executive Director

Peter Arkell
Non-Executive Director (based in Shanghai)

Hugh Toll
CEO and Executive Director

Steve Wood
CFO and Company Secretary

David Di Petro
CEO Australia

John Khalil
Executive Director - China

2 | FY21 Highlights – Hugh Toll

Key Achievements FY21
A year of significant growth, exceeding prospectus forecasts

Top and bottom line growth above expectations

- Revenue +4.7%, EBITDA + 12.0%, NPATA +12.7% to prospectus forecast
- Successful listing on ASX on 6th April 2021
- Settlement of VdB transaction with integration continuing to plan
- Key operational objectives delivered in Australia and China
- Performance underpinned by targeted merchandising
- Successful delivery of high volume major customer events in Australia despite Covid-19
- Sale or return store conversions exceed forecast, now c.20% of Australian store network
- Additional 9.9ha of greenhouses in China bringing total area under greenhouse cultivation to 61.1ha
- Further strengthened our leading market position in China, including new supermarket customers

Australia: Executing on key strategic initiatives

Stable, high cash conversion platform business

Revenue up 27% on prior year 3% on prospectus forecast

EBITDA up 92% on prior year 3% on prospectus forecast

Ongoing progress across strategic initiatives

- Revenue growth driven by increased unit volumes and ASP; innovation and demand for gifting and potted lines
- All key customer events in the period successfully delivered despite ongoing Covid-19 restrictions
- Supermarket channel continues to grow share due to improved customer experience, value and convenience
- Merchandising effectiveness and reach continue to build
- Flexibility in operating model delivered stable margins

China: Farm capacity upgrades on track as demand for floral products increases

High growth with increasing margins and positive market dynamics

Revenue up 49% on prior year and 18% on prospectus forecast

EBITDA up 95% on prior year and 32% on prospectus forecast

Productive land now 61.1ha across 4 farms

- Domestic demand across winter and spring supported a lift in yoy market pricing
- Domestic channels to market continue to develop favourably – now supplying 7 retail platform customers
- Export volumes were increased to support growth in our Australian operations
- Farm production volumes increased with crop maturity and an extended heating program
- Integration of our China team, operations and systems is progressing to plan

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3 | Financial review – Steve Wood

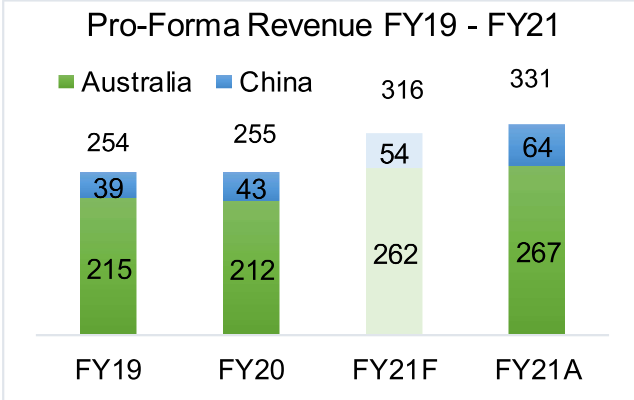
Financial performance – FY21
Revenue benefited from stronger than expected China volumes and pricing

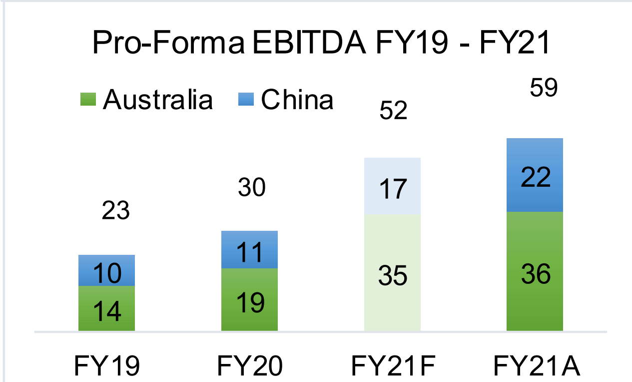
Key Metrics

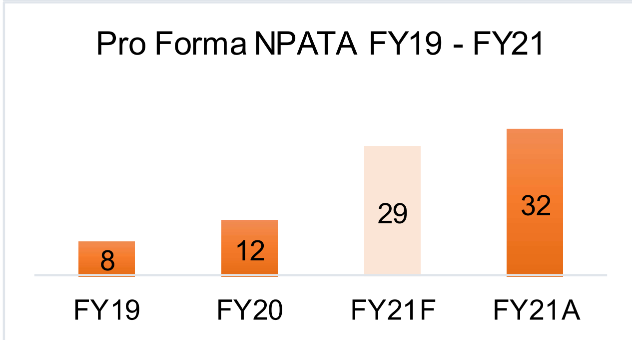
- Pro Forma Revenue of $331.0m, 4.7% ahead of prospectus forecast and 29.7% up on COVID affected FY20
- Pro Forma EBITDA of $58.6m, 12.0% ahead of prospectus forecast and 93.0% up on COVID affected FY20;
- Pro Forma NPATA of $32.4m, 12.7% ahead of prospectus forecast and ahead of earnings guidance provided on June 10;
- Adjusted cashflow conversion of 98%, ahead of forecast of 96%

Dividend

- Targeting dividend pay out ratio of at least 50% of annual NPATA commencing from the 1H of the FY22 period in March 2022, expected to be fully franked
- The Board has not declared a dividend for FY21 as outlined in the prospectus



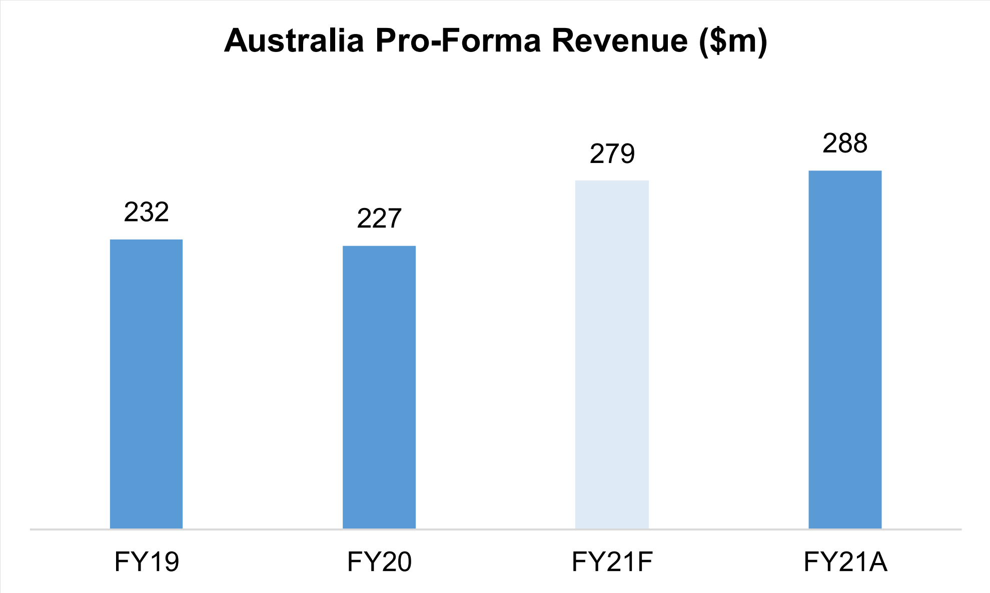


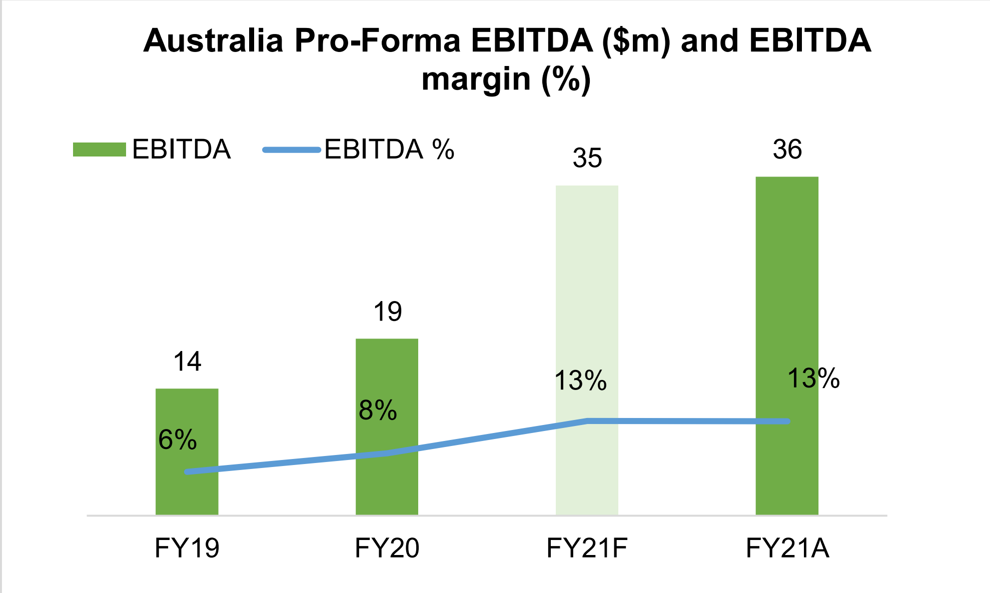


1. Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within graphs and percentage calculations
2. Australia revenue shown net of intersegment eliminations
3. FY21F shows prospectus forecasts

Australia: Consistent earnings growth and margin improvement

Strong revenue growth and operating leverage: continued margin expansion





Ongoing structural shift to supermarket channel

SOR store conversion driving meaningful uplift in same store sales

Flowers YOY growth of c.24%
Plant YOY growth of c.38%

Enhanced merchandising and product innovation to improve customer experience

Range optimisation and cost discipline driving EBITDA margin expansion

FY20 was COVID affected especially for Q4 including Mother's Day

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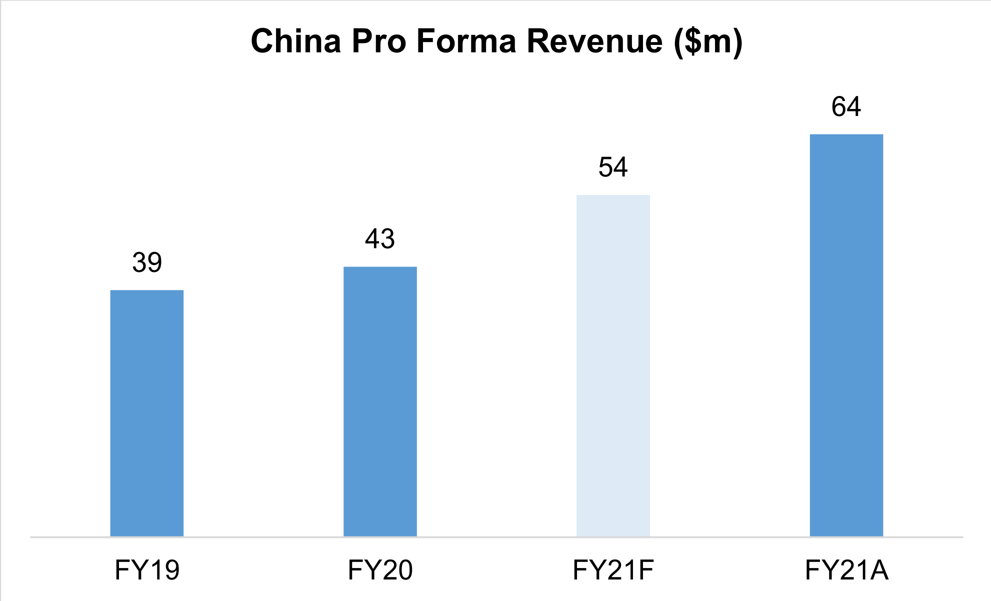
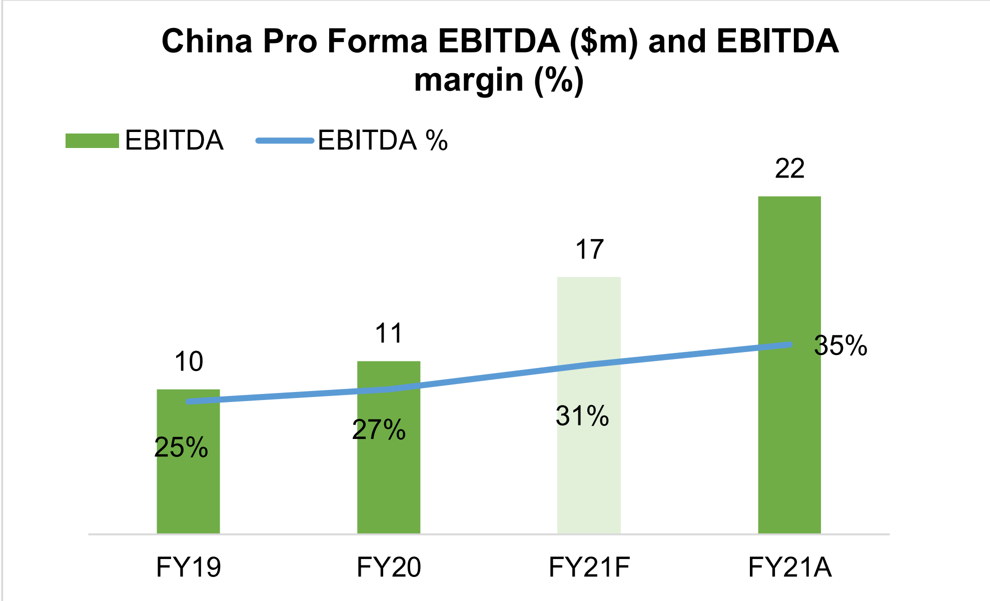
2. Excludes intersegment revenue eliminations
3. FY21F shows prospectus forecasts

China: Margin and sales growth led by production expansion

Revenue growth and margin expansion from increases in production land and yield





Increased production land and yield improvement drives sales growth

Rapidly growing demand in China for premium floral products

FY21 strong price and volume especially in Q4 – opportunity to take advantage of favourable market

Ongoing penetration of China domestic retailers

Robust EBITDA margin growth as operating leverage expands

Revenue per sqm was $79 (prospectus forecast $66)

1. Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within graphs and percentage calculations
2. Excludes intersegment revenue eliminations
3. FY21F shows prospectus forecasts
4. Revenue per sqm reflects farm revenue in a period divided by the average number of square meters of productive farmland used to grow sellable product

Pro Forma P&L compared to prospectus forecast

- Revenue up 4.7% predominately from China
- Operating margin of c.28% compared to c.27%
  - Stronger volumes and pricing in China
  - Range and cost management in Australia
- Operating expenses largely in line
  - occupancy offset in depreciation
  - other expenses mainly variable costs as a result of strong revenue
- **EBITDA outperformance of 12.0%**
- Depreciation reflective of right of use asset reclassification, amortisation and interest in line with forecast
- **NPATA $32.4m, 12.7% up on prospectus forecast and at the higher end of the earnings guidance range provided on 10 June 2021**

FY21 P&L, A$ millions	Pro-Forma Actual	Prospectus Forecast	Pro-Forma Variance ($)	Pro-Forma Variance (%)
Revenue	331.0	316.1	14.9	4.7%
Raw materials, consumables and other direct costs	(238.0)	(230.8)	(7.2)	(3.1%)
Operating margin	**93.0**	**85.3**	**7.7**	**9.0%**
Employee benefits expense	(16.4)	(16.1)	(0.3)	(1.8%)
Marketing expenses	(1.4)	(1.3)	(0.1)	(6.9%)
Occupancy expenses	(1.0)	(1.9)	0.8	44.1%
Other expenses	(15.5)	(13.7)	(1.8)	(13.1%)
Operating expenses	**(34.3)**	**(33.0)**	**(1.4)**	**(4.1%)**
Other income	(0.0)	0.1	(0.1)	(101.0%)
Share of profits of associate	-	-	-	-
EBITDA	**58.6**	**52.4**	**6.3**	**12.0%**
Depreciation expense	(10.3)	(9.2)	(1.1)	(12.0%)
Amortisation expense	(7.0)	(6.9)	(0.1)	(1.4%)
Interest expense	(3.5)	(3.4)	(0.1)	(2.6%)
Profit before tax	**37.8**	**32.8**	**5.0**	**15.2%**
Income tax expense	(10.2)	(8.9)	(1.3)	(14.8%)
Profit for the year	**27.6**	**23.9**	**3.7**	**15.4%**
Amortisation of acquired intangibles (net of tax)	4.8	4.8	(0.0)	(0.4%)
NPATA	**32.4**	**28.7**	**3.7**	**12.7%**

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Financial Performance – Cash flow

Strong cash conversion with stable working capital and maintenance CAPEX

- Strong EBITDA performance as a result of revenue growth and operating leverage
- Cash conversion of c.98% in FY21 (forecast: 96%)
- Changes in working capital[2] slightly ahead of forecast

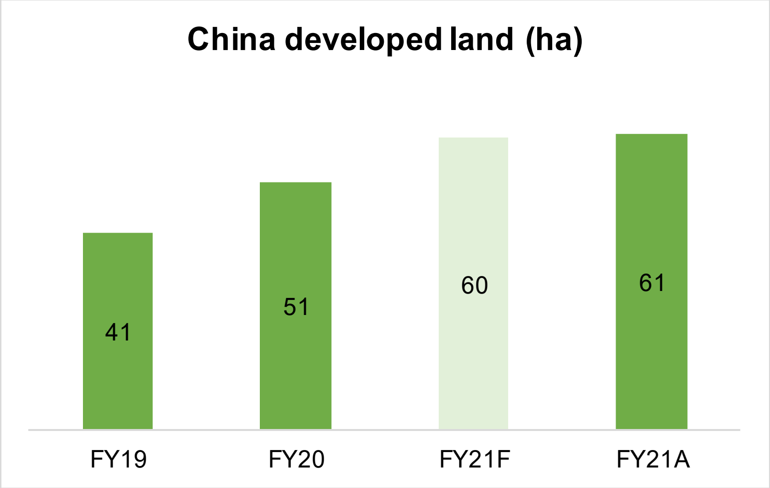
Pro-Forma net cash flow before growth capex and acquisitions, financing, tax and dividends	Pro-Forma Actual FY19	Pro-Forma Actual FY20	Prospectus Forecast FY21	Pro-Forma Actual FY21
EBITDA	**23.2**	**30.4**	**52.4**	**58.6**
Changes in working capital[2]	(8.5)	6.4	(1.9)	(1.0)
Operating cash flow	**14.7**	**36.8**	**50.4**	**57.7**
Repayment of leases	(3.0)	(3.1)	(3.6)	(4.8)
Maintenance capital expenditure	(2.6)	(2.0)	(1.7)	(2.2)
Net cash flow before growth capex and acquisitions, financing, tax and dividends	**9.1**	**31.7**	**45.1**	**50.7**
Cash Conversion[3]	**63%**	**121%**	**96%**	**98%**

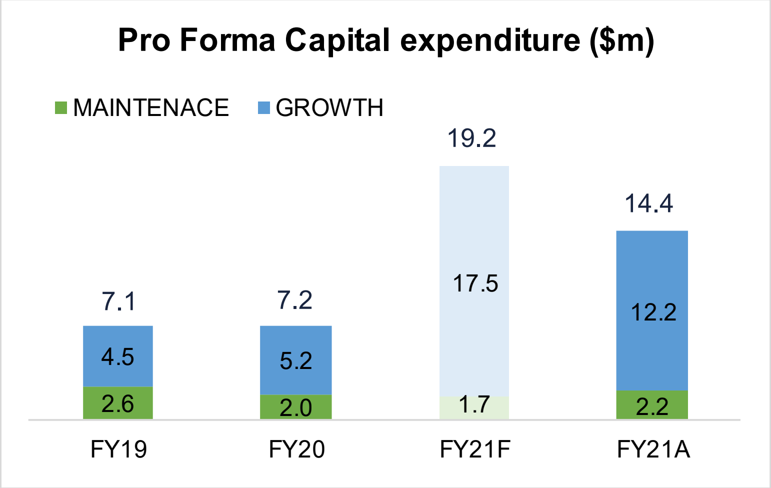
1. Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculations
2. Working capital is the sum of trade and other receivables, inventories, and other assets less the sum of trade and other payables, current tax liabilities, lease liabilities and provisions
3. Cash conversion is calculated as pro forma cash generated from operations divided by Pro Forma EBITDA

Capital expenditure and developed land

Capital expenditure and production expansion in China on track

- Greenhouse capacity expansion responding to growing domestic demand in China and growth in the Australian operations
  - 9.9ha of greenhouse development in China in FY21 (5.9ha at Changkou and 4ha at Lufeng), bringing total area under greenhouse cultivation to 61.1ha as at 30 June 2021
  - An additional 4.5ha of greenhouse capacity is well advanced and is expected to be completed by the end October 2021
  - Plans in place develop a further 10+ha of greenhouse capacity through the remainder of FY22, bringing expected total production capacity to more than 75ha by 30 June 2022
- FY21 capital expenditure $14.4m, c.$5m less than forecast:
  - Developed productive land on track
  - Timing shift on production facilities and some enablement works - no impact on FY21 production volumes
- Target minimum 25% ROIC for Growth Capex and 18-36 months from first planting to achieve 100% of target yield
- 1H FY22 Capex planned at c.$20m (c.$19m Growth Capex), including deferred FY21 and accelerated land development
- Stable maintenance capital expenditure





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2. FY21F shows prospectus forecasts

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Statement of Financial Position and Pro Forma Net Debt

Statement of Financial Position

- Cash and cash equivalents includes c.$9m tax payable on VdB Group acquisition and c.$6m supplier payments (paid 30 June) reflected in Trade and other payables
- Property, plant and equipment includes Capex predominately investment in China farm expansion
- Intangible assets includes goodwill, customer relationships and brand names acquired from the acquisition of the remaining 80% of VdB Group

Pro Forma Net Debt[2]

- Net debt / Pro Forma EBITDA is 0.6x
- Adjusting for unpaid IPO costs and supplier payments paid on 30 June adjusted net debt / Pro Forma EBITDA is 0.8x
- Borrowings:
  - $49.6m long term facilities in Australia maturing in April 2024
  - $5.0m China facilities maturing between September 2021 and September 2022
- Lease liabilities are largely property leases

FY21 Abbreviated Statement of Financial Position, A$ millions	Statutory Actual (Jun-21)
Cash and cash equivalents	49.0
Trade and other receivables	20.4
Inventories	10.5
Property, plant and equipment	57.3
Right-of-use asset	26.4
Intangible assets	199.8
Other assets	9.0
Total Assets	**372.4**
Trade and other payables	(54.5)
Borrowings	(54.6)
Lease liabilities	(27.9)
Other liabilities	(14.1)
Total liabilities	**(151.1)**
Net assets	**221.3**
Net cash / (debt)	(33.5)
Net debt / Pro-Forma EBITDA	**0.6x**
Adjusted Net debt / Pro-Forma EBITDA	(48.8)
Adjusted Net debt / Pro-Forma EBITDA	**0.8x**

1. Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculations
2. Pro Forma Net debt / Pro Forma EBITDA calculated as Cash and cash equivalents less borrowings less lease liabilities divided by Pro Forma EBITDA. Adjusted Net debt / Pro Forma EBITDA includes adjustments to cash for unpaid IPO costs and supplier payments made on 30 June 2021

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4 | Strategy and Outlook – Hugh Toll

Key operational objectives delivered in both AU and CN in FY21

Australia

Operational Objective	Outcome
Enhanced visual merchandising, quality, breadth of range, value and convenience	Pro-Forma Revenue up c.27%
Improved product velocity to consumer, supply chain integrity and reduced waste	EBITDA Margin 13% (pcp 8%)
Investment in merchandising to improve presentation, sell-through and efficiency	New system developed and tested, implementation commenced Q1 FY22

China

Operational Objective	Outcome
Expanded production and supply base in Kunming to strengthen customer engagement and generate strong ROIC	Rev per sqm $79
Leveraged strategic position to serve more retail platform customers – scaled and reliable year-round supply, consistent premium quality, low unit cost of production	Fixed price customers >50% of production
Further disintermediate the value chain by leveraging product development, production and merchandising know-how to market an expanded range of consumer ready floral products China's major population centres	Shanghai warehouse has broadened the customer reach

Strategic Priorities – FY22

Australia: To drive floral category growth in the supermarket channel

- Build on merchandising effectiveness through investment in technology and people to support sales growth across our customer store networks
- Grow SOR store network and support more Core stores with merchandising
- Deliver operational improvements focussed on product quality and speed to the consumer. Execute on new channel development initiatives in Potted and in our Markets operation in QLD

China: Focus on continued farm expansion and acceleration of integrated floral model

- Leverage Australian know-how to further develop vertically integrated floral supply model into China
- Develop a further 10+ha of production greenhouse space to support customer demand and secure additional land for next growth phase
- Continue to build operational capacity within our supply base in Kunming to support significant ramp-up in customer growth

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COVID update

- Lockdowns are currently affecting our major east coast markets, with the primary impact in NSW
- Initial impacts (up to 4 weeks) included inventory loss, sales declines, and disruptions to production efficiency before a recovery to pre lockdown operating metrics: waste, labour and merchandising
- Our supply chain has also been impacted by recent and rapid air and sea freight cost inflation and disruption (availability and delays). These costs are currently being absorbed by the business, to maintain our consumer value proposition and are expected to normalise in the medium term
- Limited COVID impacts are being experienced by the China operation

Outlook – FY22

Reaffirm CY21 NPATA guidance of $31.6m - $32.6m. Prospectus forecast for CY21 was $29.3m

- Australia sales performance across the first 8 weeks of FY22, is marginally ahead of the previous corresponding period, notwithstanding rolling lockdowns in NSW, Victoria and Queensland
- China sales are in line with expectations, up on last year
- Uncertainty remains with regard to the impact of lockdowns and supply chain related cost pressures as we have seen these rapidly evolve
- Reaffirmation of CY21 NPATA guidance is based on a number of underlying assumptions, including the extent of further lockdowns in Australia
- A further update on trading conditions is expected to be provided at the company's AGM or earlier if required

5 | Supplementary Materials

Pro forma EBITDA bridge to Statutory

Pro Forma EBITDA to statutory

- VdB Group profit for the year reflects the pre acquisition EBITDA of VdB from July 20 – Mar 21
- VdB Group gain from disposal reflects the non-cash gain on disposal of the initial 20% in the VdB Group
- All other adjustments in line with forecast assumptions:
  - Offer costs reflect the P&L component only and exclude a component netted off against issued capital
  - Public Company costs are the increased corporate costs incurred as a result of operating as a listed entity included for a full year

FY21 P&L bridge, A$ millions	Actual	Prospectus Forecast	Variance ($)	Variance (%)
Statutory EBITDA	**47.8**	**44.7**	**3.1**	**6.9%**
VdB Group profit for the year	11.8	9.7	2.1	22.0%
VdB Group gain from disposal	(10.2)	(11.1)	0.9	(8.2%)
VdB group adjustments	**1.6**	**(1.4)**	**3.0**	**(218.2%)**
Offer costs	11.8	11.7	0.1	0.5%
Public company costs	(1.4)	(1.5)	0.1	(4.2%)
AASB16 adoption	0.3	0.3	0.0	0.1%
Acquisition and restructuring	1.6	1.6	(0.0)	(0.0%)
Net Job keeper payments	(3.2)	(3.2)	0.0	(0.0%)
Legacy ownership costs	0.2	0.2	0.0	22.2%
Revised capital structure	-	-	-	-
All other adjustments	**9.2**	**9.1**	**0.2**	**1.7%**
Pro-Forma EBITDA	**58.6**	**52.4**	**6.3**	**12.0%**

Note: Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within tables

Segment revenue and EBITDA

Segment revenue and EBITDA

Revenue

Australia

- Revenue ahead of prospectus forecast driven predominately by plants (+14.0% to forecast). Flowers are + 1.4% to forecast
- SOR conversions exceed forecast, now c. 20% of Australian store network

China

- FY21 strong price and volume especially in Q4 – opportunity to take advantage of favourable market

EBITDA

- Australia EBITDA ahead of prospectus forecast driven by revenue
- China EBITDA combination of volume and price overachievement to forecast

FY21 Pro-Forma Revenue, A$ millions	Actual	Prospectus	Variance ($)	Variance (%)
Australia	287.5	279.2	8.3	3.0%
China	63.6	54.1	9.6	17.7%
Intersegment eliminations	(20.2)	(17.2)	(3.0)	17.3%
Pro-Forma Revenue	**331.0**	**316.1**	**14.9**	**4.7%**

FY21 Pro-Forma EBITDA, A$ millions	Actual	Prospectus	Variance ($)	Variance (%)
Australia	36.3	35.4	0.9	2.6%
China	22.3	17.0	5.4	31.5%
Pro-Forma EBITDA	**58.6**	**52.4**	**6.3**	**12.0%**

Note: Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within tables

Pro Forma cashflow compared to forecast and bridge to statutory

Statutory to Pro-Forma cash flow bridge

- Basis of preparation consistent with prospectus
- Statutory net cash generated by operating activities is adjusted for tax, interest, capital expenditure and leases to show statutory net cash flow before financing activities
- Significant bridging items:
  - VdB Group higher than forecast performance
  - Cash offer costs slightly higher than forecast (total offer costs in line)
  - Supplier payments – timing represents net additional payment made on 30 June which relates to current financial year (27 June year end date). Includes a similar adjustment for the previous financial year at the start of the year

FY21 Cashflow, A$ millions	Pro-Forma Actual	Prospectus Forecast	Pro-Forma Variance ($)	Pro-Forma Variance (%)
Statutory net cash generated by operating activities	**25.1**			
Income taxes paid	10.8			
Interest and other costs of finance	3.2			
Capital expenditure	(9.8)			
Lease repayments	(3.8)			
Statutory net cash flow before financing activities	**25.5**	**15.5**	**10.0**	**64.3%**
VdB Group	7.4	3.9	3.5	90.3%
Offer costs	11.4	11.1	0.3	2.4%
Public company costs	(1.4)	(1.5)	0.1	(5.1%)
AASB16 adoption	-	-	-	-
Acquisition and restructuring costs	1.6	1.6	(0.0)	(1.8%)
Net Job keeper payments	(3.2)	(3.2)	0.0	(1.4%)
Legacy ownership costs	0.2	0.2	0.0	9.3%
Supplier payments - timing	(2.9)	-	(2.9)	-
Pro-Forma net cash flow before financing activities	**38.5**	**27.6**	**10.9**	**39.6%**

Note: Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within tables

Pro-Forma key operating metrics

Pro-Forma key operating metrics

- Basis of preparation is consistent with Prospectus

- All metrics show on target or favourable

FY21 Key Operating Metrics	Pro-Forma Actual	Pro-Forma Prospectus
Group		
Revenue growth	29.7%	23.9%
Operating margin %	28.1%	27.0%
EBITDA margin %	17.7%	16.6%
Adjusted Cash flow conversion	98.3%	96.3%
Australia		
Revenue growth	26.5%	22.9%
Revenue growth - Flowers	24.1%	22.7%
Revenue growth - Plants	37.8%	23.8%
EBITDA margin %	12.6%	12.7%
China		
Average productive farm area (ha)	58.2	57.5
Revenue per sqm ($)	78.8	65.5
Revenue growth	49.1%	26.5%
EBITDA margin %	35.1%	31.4%

Note: Rounding of figures may result in some immaterial differences between the sum of components and the totals outlined within tables
1. Revenue per sqm reflects farm revenue in a period divided by the average number of square meters of productive farmland used to grow sellable product

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