LYNCH GROUP HOLDINGS LIMITED
(ASX: LGL)

2023 ANNUAL GENERAL MEETING

24 NOVEMBER 2023

LYNCH GROUP

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LYNCH GROUP BOARD OF DIRECTORS

Patrick Elliott
Non-Executive Chair

Peter Arkell
Non-Executive Director
(based in Shanghai)

Peter Clare
Non-Executive Director

Elizabeth Hallett
Non-Executive Director

Hugh Toll
CEO and
Managing Director

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LYNCH OVERVIEW

LYNCH GROUP

100+ years old
Largest distributor of floral products in Australia and largest grower of premium flowers in China

30 year dominant position in fast growing Australian supermarket channel

International diversified supply chain including owned farms and other tier 1 growers

19 year on the ground presence in China with established platform well placed to accelerate growth

Track record of predictable and attractive ROIC on growth capex

AUSTRALIA OVERVIEW

LYNCH GROUP

- **Supply:** National supply of floral and potted products to supermarket customers
- **Growth:** Scope for significant further growth when compared to other international markets
- **Complete category management:** Sourcing, growing, biosecurity, range, merchandising
- **Sourcing:** Worldwide capability including owned and supplied. Consistent year round supply of high quality products
- **Growing:** Own farms and supply from highest quality growers
- **Biosecurity:** Close collaboration and deep experience with Australian biosecurity
- **Range:** New and attractive products for self and gifting especially in bouquets and arrangement
- **Merchandising:** Dedicated professional team of in store merchandisers with a focus on presentation and quality

CHINA OVERVIEW

- **19 year history,** located in Kunming region of Yunnan province in south west China
- **Ideal growing environment** with favourable climate and infrastructure
- **4 large farms,** covering 83ha of high technology greenhouses growing roses, tulips, gerberas and amaryllis
- **Largest grower of premium product flowers in China** in a market several times bigger than most western markets
- **Year round supply of high quality product range** to Chinese consumers at affordable prices
- **Significant production sold to retail platforms** including supermarkets at fixed prices with demand likely to outstrip supply for years to come
- **Reliable high quality source of supply** into Australia market
- **Superior return on capital** for capital development

FY23 KEY DRIVERS

2H revenue and EBITDA margin recovery following challenging 1H in both markets.

Formal launch of ESG initiatives.

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FY23 Revenue up 8% on FY22:

- Australia revenue growth of 5% demonstrating continued resilience of consumer demand underpinned by particularly strong performance in sale or return stores
- China revenue growth of 12% driven by volume with pricing generally below FY22. Demand during key event windows in 2H was strong

FY23 Group EBITDA down 11% on FY22, 2H Group EBITDA +34%:

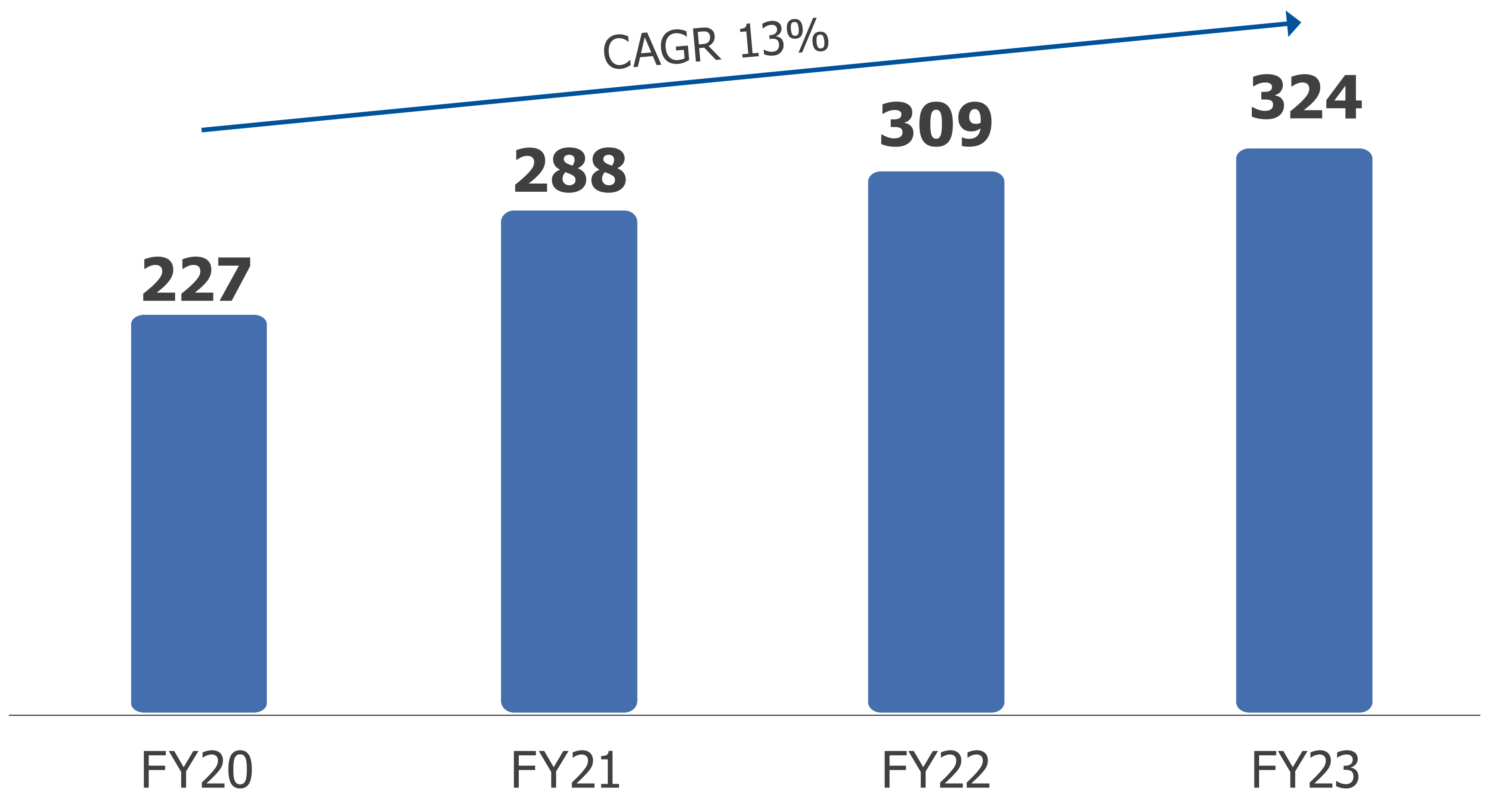
- Australia full year EBITDA down 11% but 2H up 54%
  with 2H profit improvement initiatives, reduction in international freight and improved labour availability
- China full year EBITDA down 12% but 2H up 21% and EBITDA margin ahead of 2H FY22 from a post-COVID rebound in pricing and well-disciplined cost management

ESG initiatives:

- Launch of FLOURISH, the Group's sustainability initiative which is expected to become integral to the way the Group operates aligning with its core values
- Inaugural sustainability report released in October 2023
- Baseline ESG position reported, including carbon emissions for FY22 and FY23

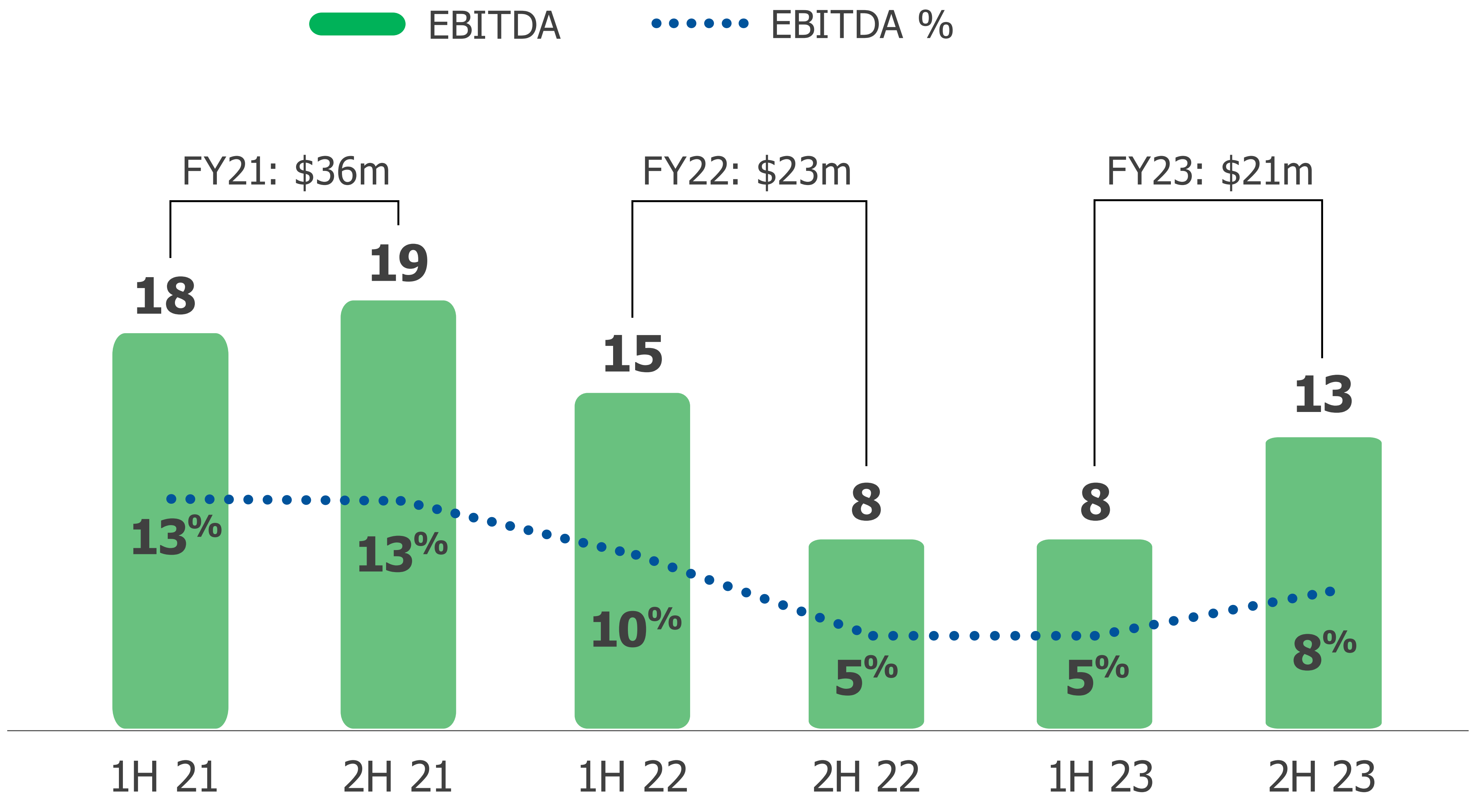
STRONG MARGIN RECOVERY IN 2H AS PRICES INCREASE AND COSTS MODERATE

Australia revenue (AUD $m)



FY23 revenue includes 53 weeks. FY23 revenue excluding addition week is $320m.

Australia EBITDA (AUD $m)



Revenue underpinned by particularly strong performance in sale or return stores and stable consumer demand	**SOR store numbers remained consistent at c. 25% of store network**	**2H EBITDA margin recovery; EBITDA and EBITDA margin ahead of 2H FY22**
Customer price increases implemented to keep pace with inflationary cost increases	**Labour availability improved in 2H following overtime around key events in 1H. Labour rate inflation reflects economic trends**	**Profit improvement initiatives delivered aided by reductions in international freight**

AUSTRALIA FY23 OVERVIEW

Our scale, innovation, worldwide sourcing capability and continued investment in our instore merchandising teams, have greatly changed the perception of supermarket flowers.

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- **Revenue growth** underpinned by resilient consumer demand for floral product in supermarket channel and strong performance in sale or return stores
- **Customer price increases** implemented to mitigate broad based cost inflation
- **Key customer events** successfully delivered with successful sell through rates in store for customers
- **2H cost line improvement**, with international freight costs moderating and easing of labour shortages requiring less overtime during key events
- **Establishment of NSW production facility** to purpose-built site in 1H with site delivering improved product quality, enhanced labour efficiency and more efficient product handling at key times

VOLUMES STRONG, MARKET DEMAND IMPACTED BY COVID RELATED LOCKDOWNS

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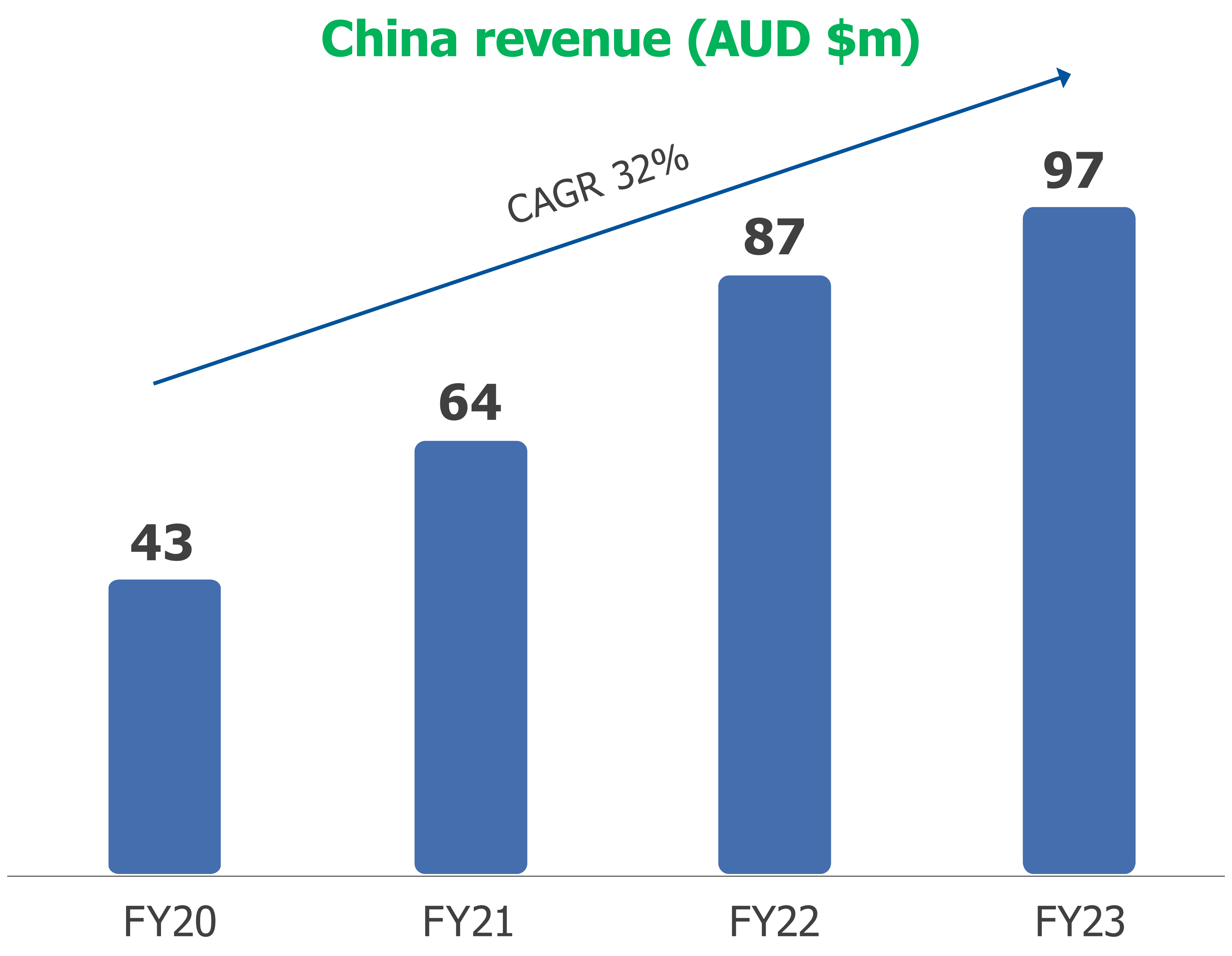

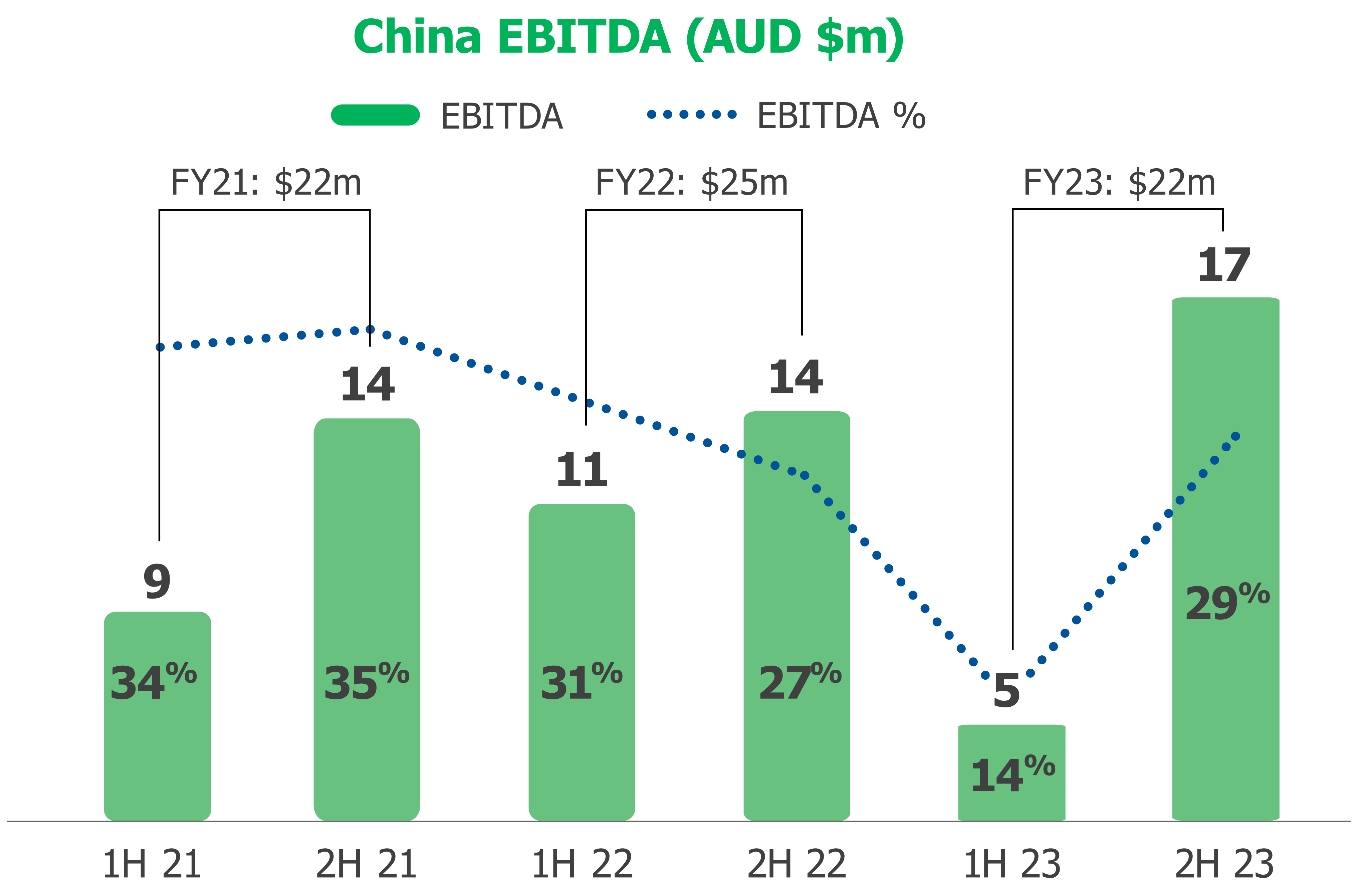

Revenue growth largely volume driven from capital expansion of production base

Softer market demand, especially in 1H, with COVID lockdowns impacting price in key markets before recovery into 2H

2H EBITDA margin recovery; EBITDA and EBITDA margin ahead of 2H FY22

Farm operational efficiency maintained

Additional 3.5ha added during the year to bring productive area to 82 ha (at Jun-23)

Cost base in line with internal targets with heating (energy) and labour costs well controlled

CHINA FY23 OVERVIEW

The Group's China operation is the largest grower of premium flowers in the country, with four farms and a processing facility located in Yunnan province, and a distribution and bouquet making facility located in Shanghai.

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- **Revenue growth** from increased production volumes of roses and expansion of tulip program
- **Greenhouse expansion** recommenced in 2H with 3.5ha developed to increase total greenhouse production area to 82ha at June-23. A further 1ha was added in 1H FY24
- **Shanghai distribution hub** allows production of value-add products (bouquets and arrangements)
- **Pricing** adversely affected by restrictive COVID regulations in 1H with rebound during key event windows between February and May during the 2H
- **Weaker market conditions post Mother's Day**, with deteriorating levels of consumer confidence impacting price and demand

SUSTAINABILITY

Launch of FLOURISH, the Group's sustainability initiative which is expected to become integral to the way the Group operates aligning with its core values.

- **Inaugural sustainability report** released in October 2023
- **Establishment of baseline data points** to understand current environmental performance and reporting, including carbon emissions for FY22 and FY23
- Establishment of **dedicated sustainability team**
- Collation of multifaceted **ESG materially assessment** project
- **Health and safety** key priority with investment in WHS roadmap to support and protect people
- **Relocation of NSW production facility** delivering environmentally focused operational processes
- Ongoing discussions with major customers in relation to **sustainable packaging**
- Launch of **graduate program**
- Continued investment in **training and development**
- **In depth risk management processes**, internal audit and transparency of reporting

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CURRENT TRADING CONIDITIONS – AUSTRALIA

- Recent floral demand trends remain stable with major supermarket customers and Australian revenue growth expected to be around 4% for 1H FY24
- Demand for lower priced supermarket floral products remains consistent amidst moderating consumer spending
- Demand from florists remains weak, impacting sales through wholesale markets channel
- SOR store sales performance, where range order volumes are controlled by the Group, continue to perform strongly
- International freight rates have moderated further in 1H FY24 with improvement in key Middle Eastern routes
- Labour availability remains stable

CURRENT TRADING CONIDITIONS – CHINA

- Consumer confidence and spending remains weak amidst softening macroeconomic conditions, particularly for more discretionary items. China revenue is expected to decline around 10% for 1H FY24, reflecting lower pricing on higher volumes
- China domestic pricing has remained below last year levels across 1H FY24. Early signs of price improvement have been evident in late Autumn and higher market demand is expected through major events commencing with Chinese New Year
- Farm production volumes continue to track up based on prior year production footprint expansion with production costs tightly managed
- An additional 1 hectare of production space was developed in 1H FY24 to support the tulip program. Further expansion works have been delayed until market conditions improve and stabilise noting the Group remains confident in the long term outlook for the China floral market
- A site for a second Tier-1 city production facility in Guangzhou has been secured. This site is expected to be operational during 2H FY24 allowing for further development of customer channels

OUTLOOK

1H FY24 outlook as at November 2023.

1H FY24 Outlook is expected to be in the range of:

Group revenue growth of 2-3%

- Australia ahead of prior year
- China adversely impacted by soft domestic pricing linked to weak consumer sentiment and spending

Group EBITDA in the range of $15.0m - $16.0m

- Australia 1H FY24 EBITDA margins improving on FY23 levels as a result of margin improvement initiatives and a moderation of international freight
- China 1H FY24 EBITDA margins adversely impacted by weaker domestic pricing

A further update on trading conditions is expected to be provided with the half year results in late February

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FORMAL BUSINESS

ITEM 1 – FINANCIAL STATEMENTS AND REPORT

ITEM 2 – RESOLUTION **1:** ADOPTION OF REMUNERATION REPORT

ITEM 3 – RESOLUTION **2:** RE-ELECTION OF PETER CLARE AS A DIRECTOR

ITEM 4 – RESOULUTION **3:** RE-ELECTION OF PETER ARKELL AS A DIRECTOR

ITEM 5 – RESOLUTION **4:** ISSUE OF OPTIONS TO EXECUTIVE DIRECTOR HUGH TOLL

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ITEM 1
FINANCIAL STATEMENTS AND REPORTS

LYNCH GROUP

Financial Report for the year ended 3 July 2023

To receive and consider:

- the Financial Report, Directors’ Report and Auditor’s Report for the Company for the year ended 2 July 2023, a copy of which has been made available to shareholders on the Lynch Group’s website.

ITEM 2
RESOLUTION 1

Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

- "THAT pursuant to and in accordance with section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Annual Report for the financial year ended 2 July 2023."

ITEM 3
RESOLUTION 2

Re-election of Director: Peter Clare

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

- "THAT Peter Clare, having retired from his office as Director in accordance with clause 20.2 of the Constitution and ASX Listing Rule 14.5, and being eligible, having offered himself for election, be elected as a Director of the Company."

ITEM 4
RESOLUTION 3

Re-election of Director: Peter Arkell

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

- "THAT Peter Arkell, having retired from his office as Director in accordance with clause 20.2 of the Constitution and ASX Listing Rule 14.5, and being eligible, having offered himself for election, be elected as a Director of the Company."

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ITEM 5
RESOLUTION 4

Issue of Options to Executive Director Hugh Toll

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

- "THAT for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the grant of options to the Chief Executive Officer and Executive Director, Hugh Toll under the Company's long-term incentive scheme, in accordance with the terms of the Company's long-term incentive scheme and as described in the Explanatory Notes."

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Q&A AND THANK YOU

THANK YOU TO ALL SHAREHOLDERS FOR YOUR SUPPORT.

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