

2020 Chair and Chief Executive Officer's Review

2020 has been an extraordinary year – in the first half the group delivered a solid operating performance, resulting in an after-tax earnings growth of 42%. Then the world was hit by COVID-19. During the COVID-19 Level 4 lockdown, revenue reduced by 43%, however the group was able to produce an after-tax profit increase of 53% for the full year.

Income Highlights:

Key highlights extracted from the Consolidated Statement of Comprehensive Income (refer to page 6):

	Current year \$'000	Previous year \$'000	% change
Operating Revenue	30,257	33,481	(10%)
EBITDA ⁽¹⁾	7,232	6,104	18%
Depreciation & Amortisation	(2,576)	(2,921)	(12%)
EBIT ⁽²⁾	4,656	3,183	46%
Interest	(558)	(548)	2%
Net profit before tax	4,098	2,635	56%
Net profit after tax	2,931	1,912	53%
Gain on asset revaluation	484	804	(40%)
Derivatives	(4)	-	100%
Total comprehensive income	3,411	2,716	26%

⁽¹⁾EBITDA is a non-GAAP measure and is defined as earnings before interest, tax, depreciation and amortisation.

⁽²⁾ EBIT is a non-GAAP measure and is defined as earnings before interest and tax.

Management use these measures as key performance indicators and believe it assists stakeholders in assessing the performance of the group.

Operating revenue was down by 10% as a result of a review of the total business. The review revealed trading areas of the business that were barely profitable, or unprofitable. Together with operating efficiencies, this resulted in the net profit before tax being up 56% over the 2019 result. During the current year operating costs were minimised during the period of COVID-19 lockdown and there has been a tight rein on costs post COVID-19 as we are well aware of the current volatile situation of the New Zealand economy. The earnings per share for the year was 3.3 cents (2019 – 2.2 cents).

Balance Sheet Highlights

Shareholder equity has steadily increased from \$11.2 million to \$17.7 million over the last five years. The debt to equity ratio as at 30 June 2020 was 46:54, which the directors believe is appropriately geared.

As I have stated before, “profit is a matter of opinion; cash is a matter of fact” – it is pleasing to note that free cash flow⁽³⁾ for the year was \$4.5 million, compared with \$2.8 million in 2019.

Building a Stronger Business

Just Water and Hometech have formally amalgamated under the Just Life Group entity. Lynne Jacobs, previously General Manager of Just Water, was appointed General Manager of the Group, with Eldon Roberts remaining as Chief Operating Officer. Lynne is responsible for the group revenue, and Eldon responsible for finance, operations and IT. The merger resulted in a restructure of the business, which has meant a more focused and efficient organisation.

The leadership team is taken up the challenge of operating a highly efficient and growth focussed business model. The talents within the business combined with new personnel recruited has given the Company a new lease of life.

The word on the lips of every team member is “ownership”, within the values of the group – Fun, Integrity, Respect, Service, Trust (FIRST).

Marketing is Business

Peter Drucker, seen as the marketing guru of the century said "the two most important functions of a business are Innovation and Marketing" as they are the only two functions that contribute to profit while all others are costs.

With this in mind, the four brands, being *Just Water*, *Unovent*, *Solatube* and *Hometech* were placed under the control of one person, the General Manager. One of our 3 year objectives is to grow new and existing selected brands, and this structure sets the platform to achieve that objective.

Keep the Objectives simple

- Recruit and retain top talent only
- Our strategy is owned by the whole business
- Buy recognised brands with #1 potential
- Invest in our brands and people

By adhering to these objectives management believe they can “bring the values alive through our people and brands and deliver value to our customers”.

⁽³⁾ Free cash flow is a non-GAAP measure. It is defined as net cash flow generated from operating activities less net capital expenditure. Management uses this measure as a key performance indicator.

The future depends on what we do today

There is a lot going for Just Life Group – we market four significant brands, our balance sheet is strong and our people are outstanding. Under the leadership of Lynne and Eldon, our marketing programmes are innovative, and operational efficiency is our mantra.

There is no doubt that COVID-19 will affect us, but it does provide an opportunity to invest at a time when others might cut back.

Mergers and Acquisitions

The Group is in a position to take up acquisition and merger opportunities and intends to raise capital over the next 12 to 24 months to support these activities. Any acquisitions would be planned to be cash flow positive and support an ongoing dividend stream to the shareholders.

A dividend is the result of good management

The directors are pleased to recommend that a fully imputed final dividend of 1.2 cents per share be declared for the current year. This brings the total dividend for the year to 2.2 cents per share (2019: 2.2 cents per share). The record date for the dividend will be the 11 September 2020 and the payment date will be the 18 September 2020.

The Harvard Group, being the major shareholder in Just Life Group, will be taking up shares in lieu of dividend under the Dividend Reinvestment Plan.

A proactive and supportive Board

This small Board has been an effective support team for the Chief Executive and Leadership group.

Last year, JJ Luo was appointed as a director of the company. JJ was one of the youngest directors appointed to a public company board. The board's objective is to introduce young talent to directorships to encourage a wider understanding of the opportunities offered in the governance of public companies. We intend to appoint another young person under the Institute of Directors Future Directors programme.

On 5 August 2020, Phil Norman was added to the team to draw on his vast experience as a professional director and business advisor. He is currently Chair of ASX-listed Straker Translations Limited and NZX-listed Plexure Group Limited, as well as being a director of several private companies.

In accordance with the NZX Listing Rules, Phil Norman will hold office until the next annual meeting scheduled for the 20 November 2020, where he will become eligible for election.

Focus on the good

How good is it to have our shareholders, our directors, our senior management, our staff, our customers, suppliers and bankers, all on the same team – we thank you. If we are all dedicated to success, we will make sure it happens.

An on-line investor update will be held on Friday 28th August 2020 at 11:00 am using the following link: <https://us02web.zoom.us/j/86592695930>

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