

MEMBERS MEETING

APRIL 4, 2024

HISTORY - 108 YEARS AND COUNTING

- Formed in 1916 as a dairy farmer co-operative
- Rich history of growth and diversification
- Have historically exited underperforming businesses and reformed the business to meet members needs

TODAY - A CRITICAL PIVOT POINT

- Retail co-operative with bricks and mortar businesses across the Hastings region
- More than 15,000 members in the Hastings, Camden Haven and beyond
- Cross-subsidised model, with supermarket, liquor and energy businesses funding underperforming businesses, such as The Department Store, farm supplies and hardware stores
- Decision made in 2017 to build Sovereign Place IGA + Liquor, which, at the time was projected to be the area's second business centre, with more than 2,500 homes expected to be built by 2023
- Covid pandemic, significant increases in inflation and interest rate rises has caused a depressed retail market

- Sovereign Place IGA sales are well below the forecasts made when entering into a 10-year lease, and customers faced with significant cost of living increases, are forced to prioritise price over service and other values
- Cost of doing business constantly increasing, and unavoidable unfunded capital expenditure of \$5-\$9 million over the next five years

“The Co-op’s short to medium-term financial position, particularly cashflow, demands immediate action”

- Smaller retailers are increasingly squeezed out of the market due to rise of e-commerce and growth of retail super chains like Coles, Woolworths, Bunnings and Kmart, who dominate the market and drive retail prices down by investing in supply chain management and technology
- Decision to close Mitre 10 & CRT Wauchope, Kew Rural Store and Comboyne Rural Store on April 5 and The Department Store on August 31, 2024

Rich history of growth and diversification

Under-performing businesses have been carried for many years

Cashflow position demands immediate action

Reforms critical to protect member interests

Necessary operational and capital expenditure over next five years requires more difficult decisions

WHY CLOSURE OF RURAL, HARDWARE AND DEPARTMENT STORE WERE NECESSARY

- Lack of cashflow forced decision
- Closures will release up to \$2 million of cash tied up in stock and immediately improve operating performance
- The Department Store and hardware and rural businesses have been underperforming



If these businesses were not closed, Hastings Co-op's financial viability would have been under threat



- Farm supplies businesses faced significant competition, with three competitors in Wauchope alone
- Customer feedback indicated a desire for lower prices; we do not have the supply chain to deliver without eroding margins and increasing losses
- Mitre 10 & CRT lease had expired, and could not be practically renewed



Post-Covid economic downfall has placed additional pressure on retailers, and forced business closures, across a range of sectors.

- Mitre 10 & CRT was a warehouse for Kew and Comboyne Rural Stores, as most of the larger supplier vehicles cannot transport stock directly to Comboyne
- Legal commitment to Sovereign Place IGA lease until 2029. Not possible to close without significant financial commitment and/or legal risk

WHAT IS NEXT FOR HASTINGS CO-OP



External factors that continue to present challenges.

- Decision to close Mitre 10 & CRT, Kew Rural Store, Comboyne Rural Store and The Department Store has resolved short-term financial emergency, however, longer-term financial challenges, as explained at the October 2023 Member Information Night, remain
- Operational and capital expenditure commitments over the next five years will require difficult strategic decisions, which may include selling assets or businesses
- These decisions may require the support of Members to ensure the survival of Hastings Co-op (Under Section 359 of the Co-operatives National Legislation)

For more information, and answers to commonly asked questions, go to
www.hastingscoop.com.au/co-opfuture
or visit the Corporate Centre at Level 1, 9-13 High Street, Wauchope

THE PATH FORWARD

- The Strategic Plan for 2024-27 was released in November 2023, based on:
 - Developing mutually beneficial partnerships and relationships
 - Enhancing member benefits and offerings
 - Expanding our membership base
- Focused on supporting our community in challenging economic times, but this is only possible through your continued patronage of our businesses
- Will look for ways to facilitate members' participation in future investments and developing assets, including the opportunity to re-develop the Department Store site to create a vibrant centre for Wauchope's CBD
- Just as the Co-op did in 1988, when we acquired the Department Store and in the early 2000s when we exited dairy production, business reforms are necessary to ensure we protect members' interests, achieve financial sustainability and pave the way for the future
- We recognise that we need to rebuild members' trust and are committed to improving the way we engage and share information



IMPROVED COMMUNICATION

Communication to date -

- Nov 2022:** AGM and 2021/22 Annual Report
- Oct 18, 2023:** Member Information Night
- Nov 2023:** AGM and 2022/23 Annual Report
- Feb 15, 2024:** Members Meeting
- April 4, 2024:** Members Meeting

We acknowledge the community's feedback since the business closure announcement on March 14, which has reinforced the passion you have for the Co-op.

Ways we will improve communication -

- Welcome feedback at www.hastingscoop.com.au/co-opfuture or via email to marketing@hastingscoop.com.au
- Share important member information via email, social media, website, in-store posters and Heart of the Hastings newspaper
- Invite members to meetings to provide updates and hear your thoughts.

To update contact details, visit www.hastingscoop.com.au/update or phone 02 6588 8999.

Our focus on member benefits is more important than ever, and we look forward to finding new ways to be innovative, to grow and change, and to meet the challenges of the future.
- CEO Nick de Groot.

To read the Strategic Plan 2024-27 go to www.hastingscoop.com.au or visit the Corporate Centre at Level 1, 9-13 High Street, Wauchope



OUR RICH HISTORY OF GROWTH AND DIVERSIFICATION



<p>1916</p> <p>Railway comes to Wauchope and "Upper Hastings Co-operative Dairy Society Limited" formed to represent dairy farmers' collective interests and building a butter factory</p>	<p>1924 to 1936</p> <p>Co-op supplies Wauchope's electricity</p>
<p>1940</p> <p>General produce store opened</p>	<p>1947</p> <p>Milk receiving plant established</p>
<p>1952</p> <p>Wauchope butter factory ceases production</p>	<p>1961</p> <p>Co-op invests in retail and bulk fuel delivery</p>
<p>1965</p> <p>Farm supplies division formed</p>	<p>1966</p> <p>Name changed to Hastings Co-operative Limited</p>
<p>1967</p> <p>Co-op sponsors the creation of Hastings Credit Union (later to become Holiday Coast Credit Union) to provide low cost loans to farmers</p>	<p>1988</p> <p>Liquor sales introduced</p>
<p>1992</p> <p>Department Store purchased</p>	<p>1995</p> <p>First female Director appointed</p>
<p>2000</p> <p>Purchased Jewel Supermarket in Port Macquarie</p>	<p>2001</p> <p>Dairy industry deregulation is the beginning of the end of Co-op's involvement in dairy production</p>
<p>2010</p> <p>Wauchope IGA opened, following re-build</p>	<p>2019</p> <p>Sovereign Place IGA opened</p>
<p>2019</p> <p>Entered hire car industry by purchasing the Port Macquarie franchise of Enterprise Rent A Car</p>	

