

MEMBERS MEETING SUMMARY

Thank you to Shareholders and Co-op 100 members who attended the meeting on April 4, 2024.

The following is a brief summary of key points and should be read in conjunction with the Members Meeting fact sheet, frequently asked questions and Strategic Plan for 2024-27, which can all be found at www.hastingscoop.com.au/co-opfuture

Reminder of a co-operative's principles

We are owned and controlled by members, which makes Hastings Co-op very different to a corporation. We also do not compete on a level playing field, where major competitors are operating with lower costs and rapidly investing in IT and artificial intelligence.

All co-operatives are guided by Seven International Co-operative Principles, including: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives and; concern for community. The Co-op Board is focussed on good governance, and importantly, maintaining the financial viability of the Co-op and arresting the erosion of member value.

Current financial position

Given a number of internal and external factors, the Co-op's short to medium-term financial position demands immediate action, including the closure of Mitre 10 & CRT Wauchope, Kew Rural Store and Comboyne Rural Store on April 5 and The Department Store on August 31.

Our declining financial position has been communicated for several years at annual general meetings, in Annual Reports, and more recently at two previous member meetings in November 2023 and February 2024.

For many years profitable businesses have been supporting unprofitable businesses, however, this cross subsidising model is no longer sustainable. Large losses and negative cashflow have been recorded since Sovereign Place IGA was approved in 2017 and opened in November 2019.

The closure of the four businesses will release up to \$2 million in stock and immediately improve operating performance.

Over the next five years, a projected \$15 million in total capital is required - approximately \$6 million in working capital and \$9 million in investment capital.

Progress update (as at April 12, 2024)

Staff: Of the 27 casual, part-time and full-time staff affected by the four business closures, 11 have accepted roles with Co-op businesses and four have taken redundancies. We continue to work with Department Store staff, as their business will remain open until August 31.

Mitre 10 & CRT Wauchope: Closed on April 5. The lease had expired and was month to month. Household and commercial gas customers will continue to be serviced via the Co-op's fuel division.

Kew Rural Store: We are in close negotiations with Cundletown-based business, Dillon Rural, who would like to take over the lease and continue operating the store in coming weeks. They have also expressed an interest in serving Comboyne customers and potentially opening a rural store.

The Department Store: We have secured a tenant, who intends to open in September 2024. They would like to continue the Christmas window decorations, Mid Year and Christmas Sale traditions as well as offering a Hastings Co-op member discount. The new tenant is yet to be named, as negotiations are continuing. In the medium-term we would like to re-develop this site, as we recognise its importance to Wauchope's CBD.

Outlook for the next five years

We are looking at all options to stabilise our financial position as longer-term financial challenges remain. Cost of living pressures, intense competition, escalating costs and changing shopping habits are compounding the fact that losses relating to Sovereign Place IGA are forecast for the term of the lease, to 2029. It is not possible to close this store or terminate the lease without significant financial commitments and/or legal risk, however, we continue to look at all options, and agree that ongoing losses of the magnitude forecast are not viable.

Capital commitments over the next five years require difficult strategic decisions, which may include selling assets or businesses, which may require the support of members to ensure the Co-op's survival.

Key themes

At the meeting we outlined the Co-op's current financial position, necessary reforms and total capital requirements over the next five years. We also had a productive question and answer session, where members had the chance to share their thoughts. The majority of discussion was dominated by Sovereign Place IGA, and it is clearly understood that solving this issue should be our number one priority.

Summary of discussion points

- We have, and continue to, consider all options regarding Sovereign Place IGA including the sale, sub-leasing, re-negotiating of terms and closing the store
- Legal advice is that breaching our lease conditions is not an acceptable option
- The decision to commit to the Sovereign Place IGA development was made by the Board in 2017, however, building cost blow-outs, some costs being overlooked in the business case and sales not meeting assumptions at the time have contributed to under-performance
- Thanks to the hard work and dedication of our Sovereign Place IGA + Liquor team there has been a 12% increase in sales at Sovereign Place IGA since October 2023 and we continue to work with the landlord and other stakeholders on improving the current situation
- We cannot make irrational decisions in the middle of a cashflow crisis, and need to stabilise the Co-op
- Our supermarkets (other than Sovereign Place IGA), liquor stores and fuel division are all currently profitable
- We are committed to being open and transparent in all dealings. Member comments re: financials not being separated for business units in financial statements meets accounting practices and is deliberate to protect sensitive information from competitors

Summary of discussion points continued >

- We appreciate that the Department Store site is the 'jewel in the crown' for Wauchope, and has intrinsic value, however, the store has been recording losses for many years
- We cannot sustain Department Store losses, and need to achieve an appropriate return on this \$4 million asset
- The back of The Department Store (Cameron Street facing) is "dilapidated and doing members an immense disservice"
- Closing The Department Store on August 31 will release up to \$500,000 in stock
- We intend to re-develop The Department Store site and will consult with members about what you would like to see on the site
- Retail is the most difficult business to be in at the moment and the Co-op is not the only local business running at a loss. We encourage members to support all local businesses.

Engagement and communication

We are committed to improving the way we engage and share information and welcome feedback at any time via the feedback button at www.hastingscoop.com or email to marketing@hastingscoop.com.au

For more information, including the Members Meeting fact sheet, frequently asked questions and 2024-27 Strategic Plan visit www.hastingscoop.com.au/co-opfuture

