



AUSTRALIAN VINTAGE LTD

**Company Announcements
Australian Securities Exchange**

23 February 2022

**Australian Vintage Limited
Investor Presentation – 2022 Interim Result**

Australian Vintage Limited has today released its financial statements for the half year ended 31 December 2021. Attached to this announcement is the investor presentation.

For the purpose of ASX Listing Rule 15.5, Australian Vintage Limited confirms that this document has been authorised for release by the Board.



31 December 2021
Half Year Results
23 February 2022

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Solid H1 result with underlying contribution growing +11% YOY, while NPAT negatively impacted by one-time events compared to prior period.



Overview

- Underlying business is performing strongly with contribution before marketing +11% (+\$3M) YOY and +6% after \$1.8M increase in marketing investment
- NPAT before one-time events \$14.2M (+7%)
- NPAT result impacted by additional one-time events totaling \$4.2M (after tax) associated with **UK logistics, COVID Cellar Door closures and SGARA** on prior period
- Pillar Brands representing 77% of total sales coupling with exiting low margin bulk sales resulting in **Gross Margin improvement from 31% to 34%**
- AVL portfolio continues to **outperform the market** in key geographies
- **Successful launch for Tempus Two** in the UK and **continued global momentum for McGuigan Zero**
- Canada and South-East Asia **back in growth**
- **Positive Cash Flow** balance of year with expected operating cash flow for full year of \$20.0M
- Investment in sustainability underway

Our values remain unchanged – and guide our business approach focused on our mission to put the consumer at the heart of everything we do

Our Vision

To be the first choice for every occasion

Our Purpose

Make the world a smaller place through sharing good times

Our Mission

We put the consumer at the heart of everything we do

Our Values



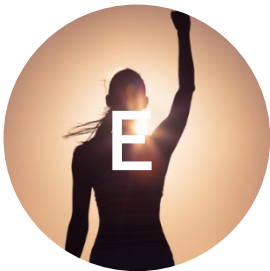
Working
Collaboratively



Innovative



Nimble &
Responsive



Empowered

Our Behaviours

Integrity

Respect

Courage

Collaboration

Resilience

Trust

Our strategic plan continues to position us well for growth...



Consumers and Brands

Investing in pillar brands

Pillar brand portfolio in double digit growth

Innovation is delivering

Consumer insight driving our branded strategies



Markets and Customers

Significantly improved our business in Australia and UK

Outperforming wine category in key markets

Resetting for growth in Asia

Joint business planning delivering



People

Despite the pandemic staff engagement has improved

Upweighting investment in leadership

Prioritising diversity and behaviours

Significant improvement in safety



Sustainability

Carbon footprint audit review

Renewables priority

Linking CSR to local communities

Brand planning for “sustainable” product range



Return on Assets

Leveraging our world class assets for competitive advantage

Delivering on all financial metrics

Financial position and balance sheet are strong

... With all FY22 key balance scorecard metrics improving



Consumers and Brands

Pillar Brand Sales

\$106.2m

77% of total revenue

▲ +5pp

↔ 99% of PY

Marketing Investment

+40%

Accelerating marketing investment on pillar brands



Markets and Customers

Outgrowing the market in key geographies*

AVL vs WINE



+9% vs +3%



+8% vs -3%



+17% vs +5%

Shipments rebounding in other battlegrounds



+19% value

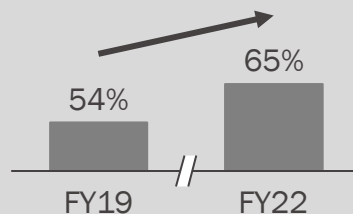


Asia ex-China
+23% value

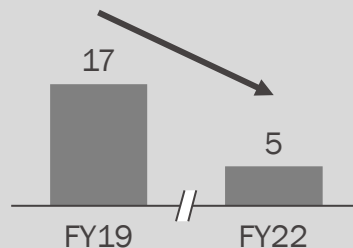


People

Staff Engagement



Lost Time Injury Frequency Rate



Sustainability

Wine Processing
Renewables

100%

Solar & Wind
(Buronga)

Sustainability journey advanced

Carbon audit complete

Chief Sustainability Officer appointed

Key initiatives underway



Return on Assets

Contribution after Mktg

\$25.3m

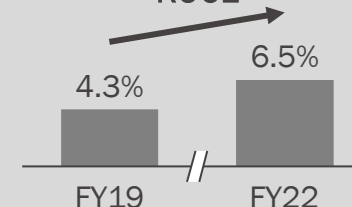
▲ +6%

NPAT

▼ -25%

Impacted by logistics, SGARA & closures

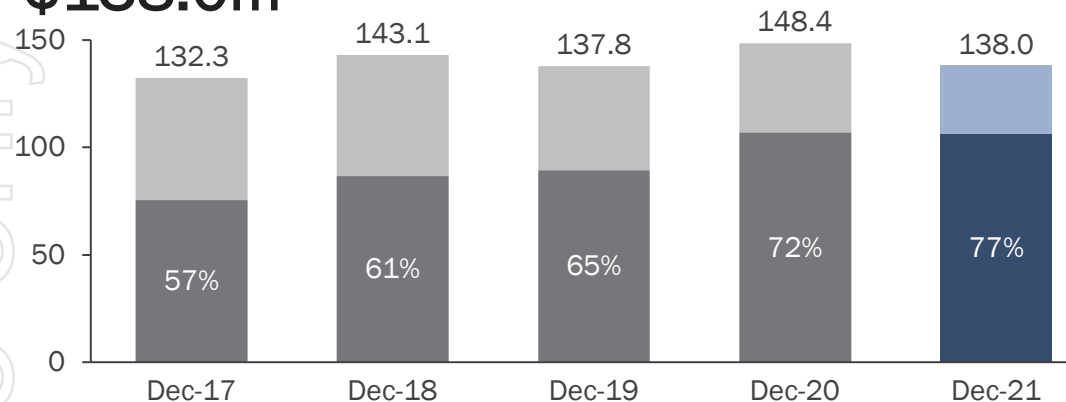
ROCE



Historical financial performance supports step change in AVL business

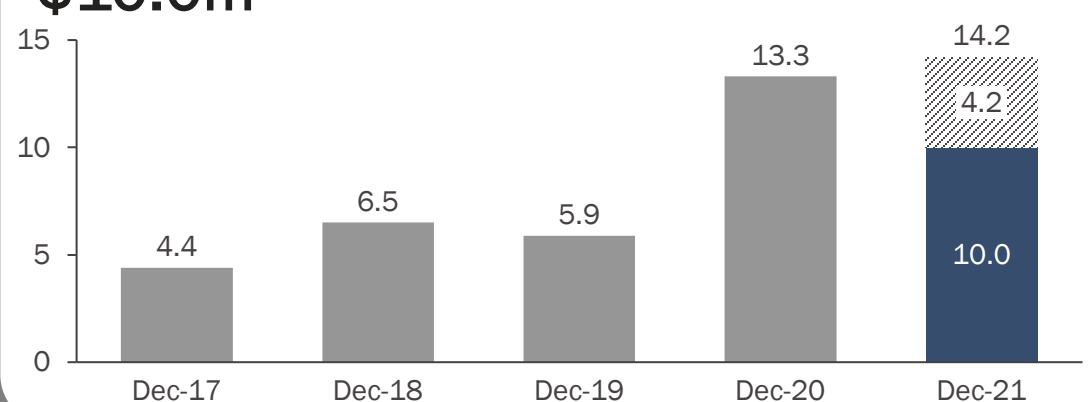
Total Revenue

\$138.0m



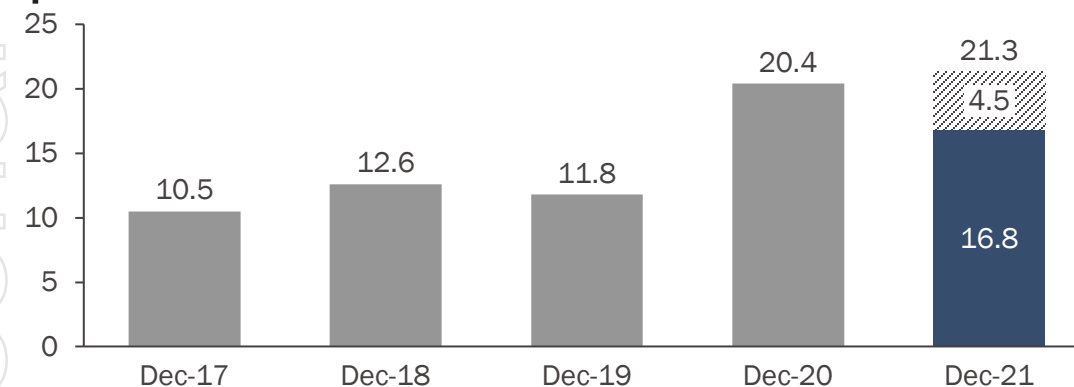
Net Profit After Tax ¹

\$10.0m



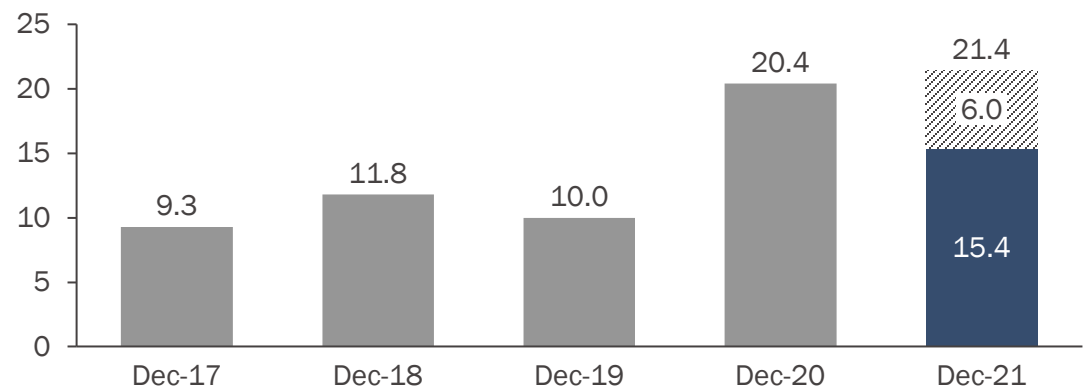
EBITS ¹

\$16.8m



EBIT ¹

\$15.4m



Note ¹ for December '21, these figures include one-time events of \$5.5M due to UK logistic, COVID Cellar Door disruptions and SGARA vs prior year

AVL Wines Pillar Brand Portfolio



Easy going, quality wine
for me

‘Just Because’
Trusted & rational
Priority markets: Global



Celebrate any occasion your way

‘Beyond Tradition’
Stylish & Sophisticated
Priority markets: Global



Premium wine crafted for sharing

‘Let it Flow’
Social & Sharing
Priority markets: ANZ/UK



Aspirational Barossa

‘Barossa Strong’
Indulge & Impress
Priority markets: ANZ/Asia

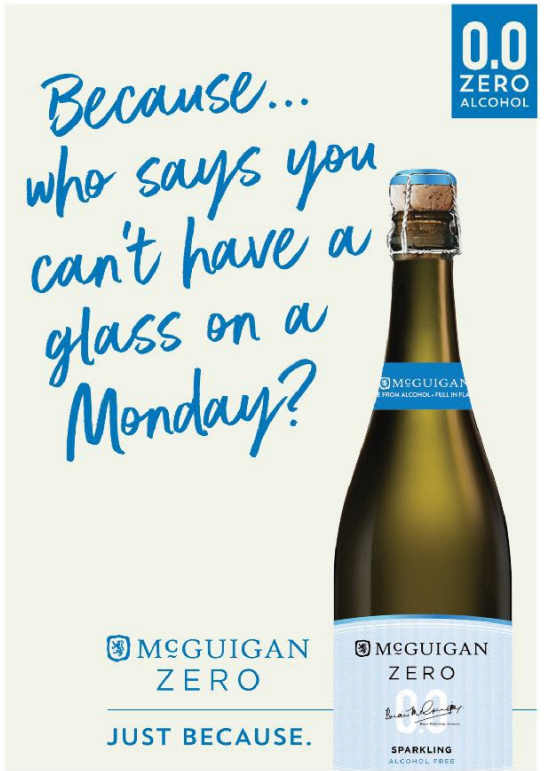
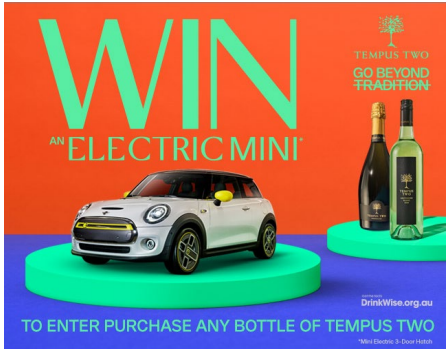
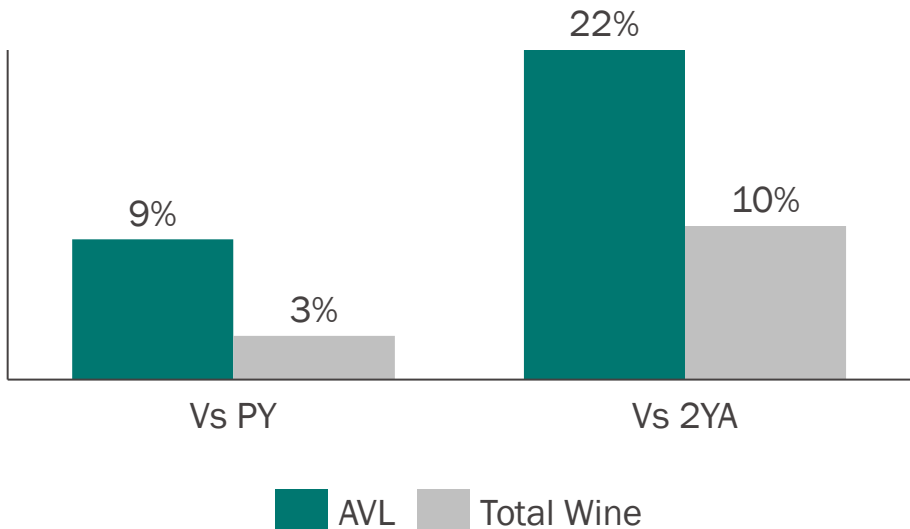


Australia and New Zealand outperforming the market in Australia as marketing investment for the portfolio increases

Australia / New Zealand

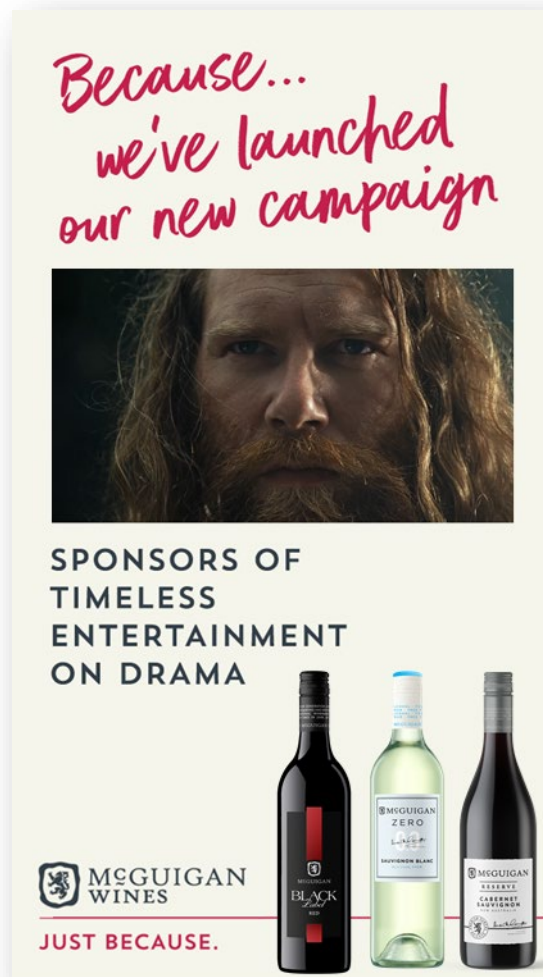
- All four Pillar Brands in growth +9% driven by increased consumer marketing investment
- Australia scan performance 3X total wine category
- New Zealand scan performance also at 3X total wine

% Value Growth
(Australia)





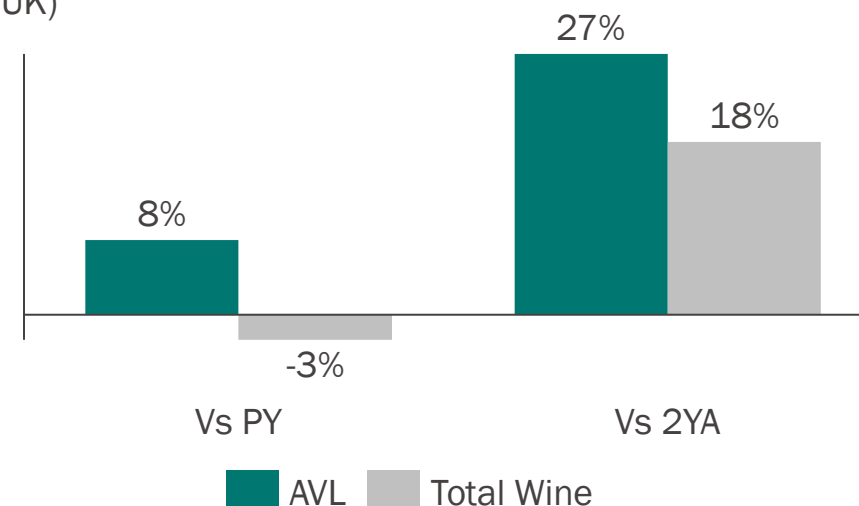
UK also outperforming as focus expands to include Tempus Two



UK / EU / North America

- AVL significantly outperforming the market in the UK; McGuigan +6% and Tempus +87%
- Canada returning to growth with +19% value (vs Australian wine shipments to Canada -20% value)

% Value Growth (UK)



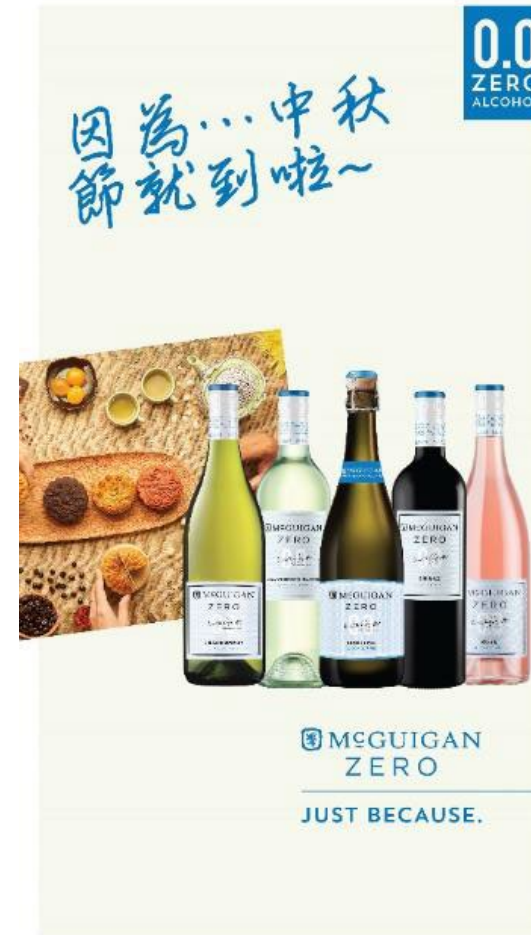
Asia re-stage progressing with strong H1 performances in key markets after recent China tariff barrier



Markets and Customers

Asia

- Despite no shipments to China, sales in rest of Asia have increased by +10%
- No shipments to China in H1 due to tariff escalation
- McGuigan “Just Because” and Tempus Two “Go Beyond Tradition” campaigns have been localised for Asia
- Alternative country of origin supply to China in progress
- Key China partner focus developed





Our sustainability journey is well underway

Multi dimensional approach to sustainability

ENVIRONMENT

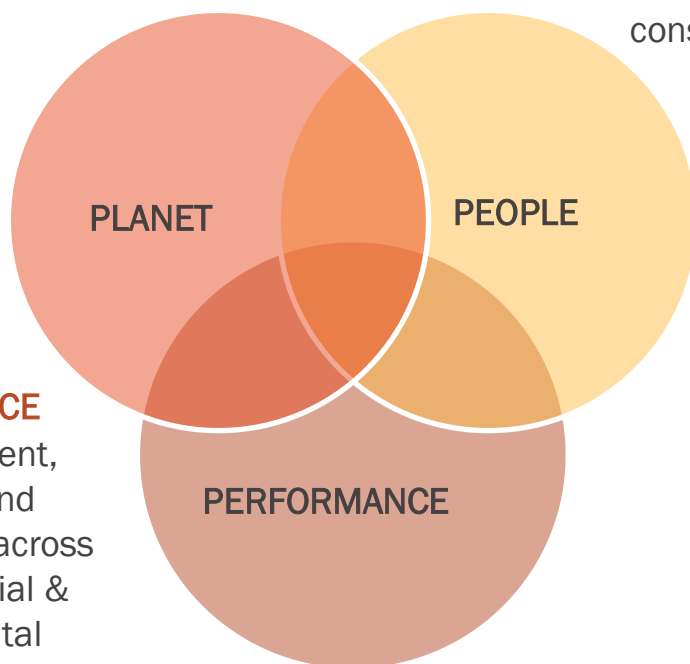
The natural environment of vineyards, water sources, energy and waste.

SOCIAL

The people internal and external to AVL; from employees to community members and consumers.

GOVERNANCE

Measurement, reporting and accountability across financial, social & environmental performance of the business.



Sustainability is at the forefront of our business



- Chief Sustainability Officer appointed
- Carbon audit complete
- 100% of our Buronga winery facility energy is sourced from solar and wind power
- Re-use of water across selected vineyards
- Key sustainability initiatives commencing



Underlying business performance is strong with NPAT negatively impacted by one-time events

- Net Profit after tax (NPAT) up 7% to \$14.2 million (excluding one time events UK logistic costs, COVID Cellar Door closures and SGARA); Actual NPAT down 25% to \$10.0 million
- EBITs (earnings before tax, interest and SGARA) up \$0.9M (excluding one-time events); Actual EBITs down \$3.6 million to \$16.8 million.
- EBIT (Earnings before tax and interest) up \$1M (excluding one-time events); Actual EBIT down \$5.0 million
- Total Revenue down 7% to \$138.0 million after exiting low-margin bulk sales, percentage of Pillar Branded Business up 8%
- Sales of our 4 Pillar Brands (McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company) outperforming market
- Gross margin has increased from 31% to 34%
- Cash flow from operating activities negative \$0.8 million due to build-up of working capital, cash receipts / payables timing and first half capex investment. Second half positive outlook
- In line with previous years, no interim dividend declared
- This presentation contains non-IFRS measures used by management in assessing AVG's performance and have not been audited



New reporting segments implemented from H1

Segment Information

Effective from 1 July 2021, AVG has re-assessed its cash generating units (CGU's) for impairment testing purposes. Based on this review, it was determined a change in the CGU was justified for the primary reason that the new CGU structure better reflects the core operations of the company, which is the integrated process of growing grapes, manufacturing wine and the marketing and sales of finished products into different geographical markets. The changes made to the segment reporting were made to better align to the company's revised CGU structure.

- **Australia / New Zealand** – engaged in the manufacture, sales and marketing of wine in Australia, New Zealand and the Pacific through wholesale, distributor and retail channels.
- **UK, Europe & Americas** – engaged in the packaging, sales and marketing of wine in the United Kingdom, Europe and the Americas through wholesale, distributor and retail channels.
- **Asia** – engaged in the sales and marketing of wine in Asia through wholesale channels.



McGUIGAN
WINES



TEMPUS TWO



NEPENTHE



BAROSSA VALLEY
WINE COMPANY



One-time SGARA costs have negatively impacted H1 but will benefit future year margins

SGARA

SGARA (Self Generating and Regenerating Assets)

SGARA, which is now reported against the 3 segments, was down \$1.5 million on prior period due to:

- Frost on one of our vineyards which is estimated to impact total tonnes by 2,400 tonnes
- The expected reduction in red grape prices from the Industry wide oversupply of red wine. This oversupply is due to the significant tariffs imposed by China on all Australian wine which has basically closed the China market for all Australian wine
- This impact of the reduced red grape prices is a timing issue only as this will benefit future year margins on branded red wine sold



Despite challenging H1, cash flow from operating activities expected to improve in the second half

Interest and Financial Position

Cash flow from operating activities decreased by \$31.7 million to negative \$0.8 million due to a significant increase in working capital movement when compared to prior period.

- Inventory movement up \$11.1 million when compared to corresponding prior period due to the increased finished stock in the UK. This increase in inventory was a strategic decision to avoid out of stock and to deal with all the logistic delays
- Receivables movement up \$6.4 million due to timing of payments
- Payables movement \$9.1 million unfavourable due to timing of payments made
- The second half operating cash flow should be significantly better than the prior corresponding period with expected FY22 operating cash flow of around \$20.0 million
- Net debt increased by \$30.8 million when compared to December 20 due to the recent share restructure which returned \$24.0 million to shareholders. Debt expected to be around a comfortable \$70 million by 30 June 2022



Outlook

- Without the additional logistical costs, temporary closure of our Cellar Doors and the reduced SGARA, December 21 NPAT would have been above prior period.
- Company has made a step change to a credible quality wine branded business. Compared to the average NPAT achieved during the 6 month periods from December 17 through to December 19, this result is 79% higher, even after allowing for the additional costs and closure of cellar doors.
- For the full year the Company is expecting pillar brand sales, margins and market share to be up on prior years.
- For the second half we are expecting our operating cash flow to exceed the prior corresponding period. Full year operating cash flow is estimated at around \$20 million.
- A further \$2.8 million (pre tax) in additional logistic costs are expected.
- Even after allowing for the significant increase in logistic costs and the impact of the temporary Cellar Door closures, we are expecting a net profit after tax of between \$17.0 million and \$18.0 million which is down \$1.6 million to \$2.6 million on the previous financial year. This forecast is subject to no material change in foreign currency exchange rates, no further deterioration in the various economies due to COVID and a normal vintage.
- As mentioned at our 2021 Annual General meeting, the Company has commenced a detailed Sustainability study with the aim of setting realistic objectives to be carbon neutral. This study is progressing well.
- Our vision and values and our scorecard remain critical to the ongoing growth of the company as they guide the business approach with a strong focus on putting the consumer at the heart of everything the Company does.

Appendix: Results Summary – Sales and Contribution

	Sales (\$'000)		Change	
	31 Dec '21	31 Dec '20	\$'000	%
<i>Sales</i>				
Australia / New Zealand	64,811	66,209	(1,398)	(2%)
UK, Europe & Americas	69,587	78,913	(9,326)	(12%)
Asia	3,617	3,280	337	10%
TOTAL	138,015	148,402	(10,387)	(7%)

	Contribution (\$'000)		Change	
	31 Dec '21	31 Dec '20	\$'000	%
<i>Contribution (before marketing)</i>				
Australia / New Zealand	17,073	13,657	3,416	25%
UK, Europe & Americas	14,002	14,545	(543)	(4%)
Asia	421	178	243	137%
TOTAL	31,495	28,380	3,115	11%
Marketing expense	(6,147)	(4,477)	(1,670)	37%
Contribution (after marketing)	25,348	23,903	1,445	6%
Additional logistic costs	(3,694)	-	(3,694)	n/a
Temporary closure of cellar doors	(804)	-	(804)	n/a
Corporate / other	(4,098)	(3,578)	(520)	15%
EBITS	16,753	20,325	(3,572)	(18%)
SGARA	(1,375)	98	(1,473)	(1,510%)
EBIT	15,378	20,423	(5,045)	(25%)
Net interest expense (inc. AASB 16)	(1,307)	(1,400)	93	(7%)
Tax	(4,065)	(5,729)	1,664	(29%)
NPAT	10,006	13,294	(3,288)	(25%)