

# Australian Vintage Limited Annual General Meeting

21<sup>st</sup> November 2018



# Australian Vintage Limited

# Annual General Meeting



AUSTRALIAN VINTAGE LTD

Annual General Meeting  
21<sup>st</sup> November 2018

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21st November 2018



  
AUSTRALIAN VINTAGE LTD

  
NEPENTHE

  
MCGUIGAN  
WINES  
*Come on in*

TEMPUS TWO  




# Agenda



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Annual General Meeting  
21<sup>st</sup> November 2018

Performance Summary      Richard Davis

Business Update            Neil McGuigan

Formal Proceedings        Richard Davis



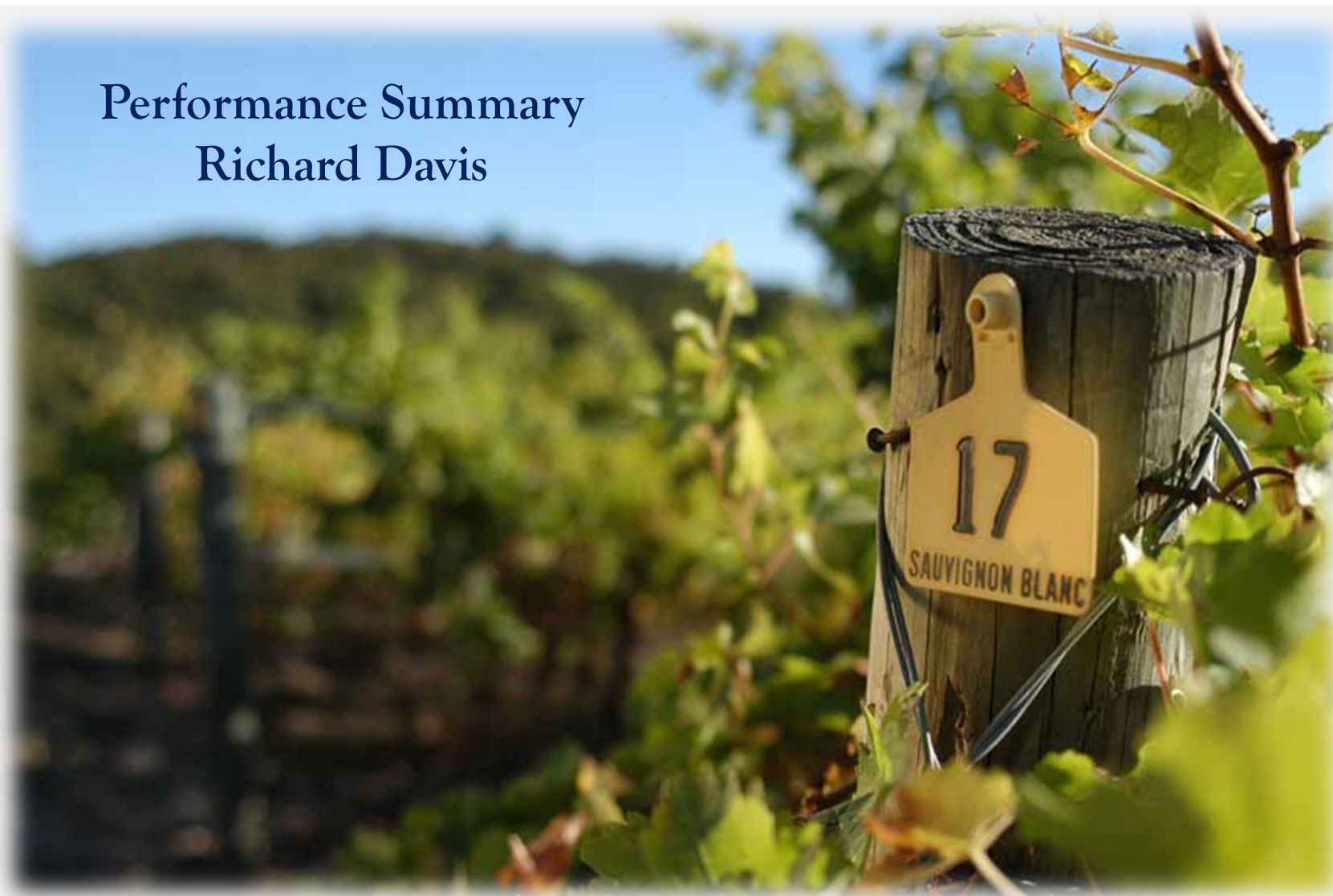
# Annual General Meeting



AUSTRALIAN VINTAGE LTD

Annual General Meeting  
21<sup>st</sup> November 2018

## Performance Summary Richard Davis



# Your company

One of Australia's largest wine producers

- Crushes up to 120,000 tonnes a year.
- Sells 80 million litres of wine.
- 2,400 planted hectares in 11 vineyards that we either own or lease.
- Production facilities capable of producing 1.5 million casks and 7 million cases of bottled wine.
- Produces the most popular red wine in Australia.
- McGuigan is the 3rd largest global wine brand in the UK.





# Key Points

- Net profit after tax up 79% to \$7.7 million.
- Sales of McGuigan, Tempus Two and Nepenthe up 14%.
- Cash Flow from Operating Activities positive \$26.7 million compared to \$14.0 million in prior period.
- Net Debt of \$77.2 million compared to \$82.8 million as 30<sup>th</sup> June 2017.
- Revenue up \$38.2 million to \$264.6 million with significant sales growth in the UK.
- Dividend up 50% to 1.5 cents per share.



# Key Points (cont.)

- AVL strategies remain unchanged:
  - Grow export business
  - Increase branded sales
  - Focus on cost control

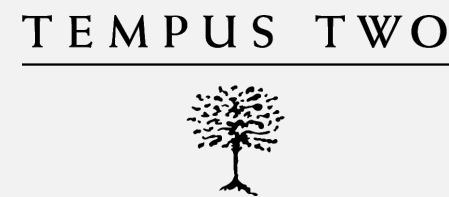




# Business Results & Summary

## 1. Branded Sales

- Continued focus on our three core brands, McGuigan, Tempus Two and Nepenthe has resulted in the ongoing increased sales of these three key brands. During the year the sales of these three key brands increased by 14%.
- In the UK market McGuigan branded sales has grown by 18% and is now the third global brand by volume (previously fourth global brand by volume).
- In Australia, sales were flat, but the mix continues to improve with McGuigan down 1%, the higher priced Tempus Two up 38% and Nepenthe up 15%. Ensuring price realisation on the McGuigan Black Label range slowed our short-term growth, but was essential for longer term viability.



# Business Results & Summary (cont.)

## 2. Australasia / North America Packaged

**Sales increased by 3% to \$107.3 million.**

**Contribution increased by 21% to \$7.4 million.**

- Australian sales were flat during the year, but the mix continues to improve with McGuigan down 1%, the higher priced Tempus Two up 38% and Nepenthe up 15%. Contribution from this division increased by \$0.7 million.
- Sales to New Zealand have recovered from the previous year's decline and were up this year by 7%. Contribution increased by \$0.1 million.
- Sales to Asia have grown by 9%. Contribution, which was impacted by additional resources in this market, increased by \$0.1 million.
- North America sales have grown by 31% due mainly to a significant increase in sales to Canada of the McGuigan brand. Contribution increased by \$0.4 million.



# Business Results & Summary (cont.)

## 3. UK / Europe

**Sales up 25% to \$111.0 million.**

**Contribution up \$5.4 million to \$5.6 million.**

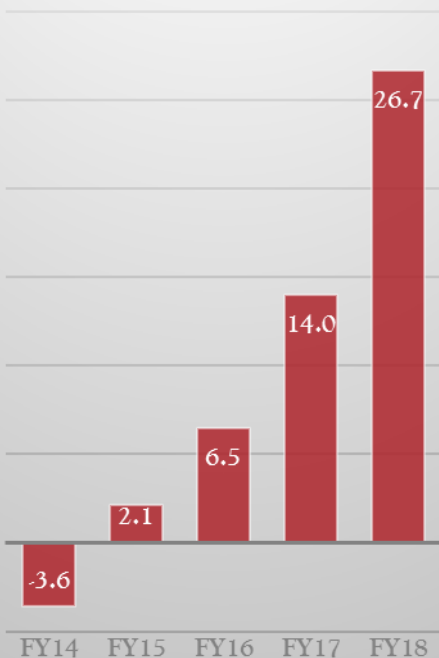
- Focus on sales mix, increasing sales footprint in all channels and pricing has contributed to the improved performance. McGuigan brand sales increased 18% and is now the third global brand by volume.
- Contribution improved by a significant \$5.4 million. Favourable movement in the GBP over the last 12 months contributed \$1.6 million to this improved result when compared to last year.
- Sales of bulk wine and private label reduced by \$0.8 million to \$0.5 million.





# Business Results & Summary (cont.)

Operating Cash Flow  
last 5 years  
all \$m



## 4. Other Segments

- Cellar Door sales increased by 6% to \$10.6 million and contribution is in line with last year at \$1.6 million.
- Australasia/North America bulk and processing contribution was negative \$0.5 million due to previously contracted loss making bulk wine sales.
- Vineyard contribution declined by \$2.4 million due to a 11% reduction in yields from owned and leased vineyards (SGARA).

## 5. Financial Position

- Operating cash flow was \$26.7 million, an improvement of \$12.7 million on the prior period. This operating cash flow is the highest for the last 12 years and is five times the average annual operating cash flow since 2002.
- Net debt decreased by \$5.6 million, even allowing for a capital spend of \$19.5 million during the year. Gearing (net debt to Equity) is 26% compared to 29% as at 30 June 2017.

# Business Results & Summary (cont.)

## 6. Capital Expenditure

- Capital expenditure increased to \$19.5 million as a result of significant investment in winery equipment (including solar), a new bottling line at our Merbein packaging facility and vineyard developments.
- Over the next 12 months we expect to spend a further \$19 million on capital projects that will include a super premium winery facility at Buronga (Stage 1) and further vineyard developments.

## 7. Future Grape Supply

- Over the last three years the Australian wine industry has seen a shift from an oversupplied industry to an industry that is basically in balance, with some varieties now in short supply. This is due to the 128 million litre increase in export sales.
- At the same time there has been little investment in new vineyards due to competing crops such as almonds and citrus. To protect the company's existing grape supply and to replace the grapes from a recently expired onerous grape contract, the company has undertaken the following to secure some 40,000 tonnes of grapes:-
  - i. Entered into a long term lease at commercial rates for a 370 ha vineyard located near Mildura. This vineyard is planted to 80% reds;
  - ii. Agreed lease extension terms on the existing Balranald and Qualco vineyard leases. The current leases expire in 2021 and 2022 respectively and the lease extensions are on commercial terms.
- In addition, the Company has secured 400 hectares of vacant land near Mildura for a potential future vineyard development and planted additional vines in the company's existing Grand Junction vineyard and the vacant land adjacent to our Buronga Hill Winery.

# Australian Wine Industry

- In the 12 months to September 2018 the value of Australian wine exports increased by 11% to \$2.7 billion and volume increased by 5% to 842 million litres. The average value of exports grew by 5% to \$3.21 per litre.
- All major export regions recorded growth for Australian exports other than the United States which recorded a 8% decline to \$422.6 million.
- Wine exports to China continues to lead growth with sales up 29% to \$948.8 million. China remains the largest market for wine sales and second by volume.
- Other key export markets:
  1. UK export sales increased by 9% to \$380.3 million and remains the largest export market by volume which was up 6% to 238.6 million litres.
  2. Canada export sales increased by 9% to \$200.3 million and volume was up 16% to 70.5 million litres.
  3. NZ export sales increased by 24% to \$93.6 million and volume was up 19% to 32.4 million litres.





# Australian Wine Industry (cont.)

- The 2018 Vintage crush was 1.79 million tonnes, a 10% decrease on last year's record crush (WFA National Vintage Report July 2018).
- The decreased crush is basically across all regions.
- The average grape price across all varieties increased 8% to \$609/tonne - the highest since 2008.
- The total 2018 Vintage crush was just above the long term average of 1.76 million tonnes.



# Outlook



AUSTRALIAN VINTAGE LTD

Annual General Meeting  
21<sup>st</sup> November 2018



Australian Vintage has transformed from a bulk wine company to a quality and well respected branded wine business. This transformation will continue. Our persistence on improving efficiency will mean that the company will spend \$19.0 million on capital projects this financial year.

For the first four months of this financial year, our packaged sales are up 8% with continued improved sales in UK/Europe. Our sales mix and sales footprint continue to improve our business.

Recently, there was frost in the Barossa region and in some parts of the Riverland which, unfortunately, will

impact our vineyard yields in 2019. As a result, income from our vineyards will be down on expectation. In addition, the recent drought has meant that water prices have increased and water allocations in some regions are less than 100%. The combined impact of the frost and drought will mean that SGARA income will be down by approximately \$2.2 million before tax.

Even allowing for the frost and the drought, and based on the GBP remaining at around 55 pence and a normal 2019 vintage, we expect our result to be at least 15% up on last year's net profit after tax.

# Annual General Meeting



AUSTRALIAN VINTAGE LTD

Annual General Meeting  
21<sup>st</sup> November 2018

Business Review  
Neil McGuigan





# Bring a McGuigan Campaign ...



Farringdon, London - above ground



London - underground



London - Buses



Sydney - City



AUSTRALIAN VINTAGE LTD

Annual General Meeting  
21<sup>st</sup> November 2018

# Wine Show Performance for FY18 ....

|              | <b>McGuigan</b> | <b>Tempus Two</b> | <b>Nepenthe</b> |
|--------------|-----------------|-------------------|-----------------|
| Trophies     | 19              | 2                 | 2               |
| Gold         | 64              | 22                | 16              |
| Silver       | 129             | 51                | 38              |
| Bronze       | 130             | 95                | 100             |
| <b>Total</b> | <b>342</b>      | <b>170</b>        | <b>156</b>      |



AUSTRALIAN VINTAGE LTD

Annual General Meeting  
21<sup>st</sup> November 2018



## Tempus Two Sparkling

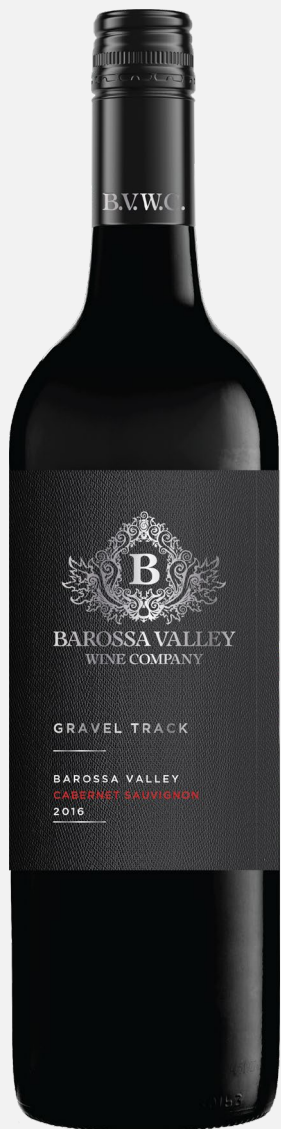




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# Barossa Valley Wine Company



Gravel Track  
RRP \$25



Stockyard  
RRP \$40



Farms  
RRP \$80

## OUR VISION

Making great quality wine accessible to everyone around the world for every occasion.

## OUR VALUES

Working Collaboratively with Integrity  
Innovative and Courageous  
Nimble and Responsive  
Empowered and Accountable

Thank you ...



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