



AUSTRALIAN VINTAGE LTD

19 August 2024

ASX ANNOUNCEMENT

**BOARD RENEWAL RESULTS IN CHANGE IN STRATEGY IMPROVING FREE CASH FLOW AND RETURN ON CAPITAL EMPLOYED (ROCE) OVER THE NEXT THREE YEARS
IMPAIRMENT OF ASSETS**

Australian Vintage Limited (**ASX: AVG**) today announces, further to the board renewal update released on 14 August 2024, a change in strategy approved today by the board aimed at improving free cash flow and ROCE over the next 3 years. The change in strategy is targeting a free cash flow of +\$20 million per annum by the end of FY27 and a ROCE of +8% in the same time frame. In an environment where the cost of doing business continues to increase, generating cash strengthens AVG's balance sheet and competitive edge.

Australian Vintage derives approximately two thirds of its revenue from export related markets. It has maintained and grown market share over the past few years, whilst delivering a strong premiumisation and innovation program, currently representing one third of its margin. However, the market that Australian Vintage operates in is challenged by deep competitor discounting, with AVG identifying a number of revenue growth opportunities within those markets that it is currently not accessing.

To achieve the above outcomes AVG's change in strategy includes a multi prong approach:

- Investing inventory into markets and categories, without discounting pillar brands, where it currently does not compete due to high competitive discounting, thereby driving revenue and cash flow growth. This investment will result in a non-cash impairment of inventory of ~\$36 million, <15% of the total inventory value.
- Reducing fixed grape supply and increasing the flexibility of grape sourcing, resulting in a non-cash impairment of Right of Use (ROU) assets of \$5 million, and an expected inventory churn of less than one and a half years.

The above actions result in a reduction of tax losses and the associated deferred tax asset of \$10 million.

The above impacts on Australian Vintage's statement of financial position are in addition to the goodwill impairment that was announced at the time of Australian Vintage's recent capital raising. Australian Vintage's Net Tangible Asset per share, post these changes, will be ~ \$0.60 per share.

Further detail on the change of strategy will be provided with the release of the FY24 accounts on 23 August 2024.

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Update on expected FY24 performance

Australian Vintage is pleased to note that it has achieved the following underlying outcomes, in line with guidance, and subject to audit completion:

- Revenue growth of 1% to \$261 million;
- Maintained market share and grown North America by 28%;
- Grown global no-and-low alcohol revenue by +20% over the prior comparable period;
- Double digit underlying EBITs growth of 24% to \$13 million;
- Double digit underlying EBITDAs growth of 12% to \$29 million; and
- Double digit underlying NPATS growth of 29% to \$5 million.

Increased operating cash flow of \$6 million, before working capital adjustments, and a normalised free cash flow (pre one off capital raise, asset sales and dividends) increase of \$6 million, provides a strong foundation for the Company to achieve its strategic objectives.

Financial numbers are subject to audit with the FY24 accounts intended to be released on 23 August 2024.

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

ENDS

Further information

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