AUSTRALIAN VINTAGE LTD

23 August 2024

ASX ANNOUNCEMENT

FULL YEAR 2024 RESULTS ANNOUNCEMENT

INVESTMENT IN PILLAR BRANDS AND INNOVATION DRIVES UNDERLYING EARNINGS GROWTH

Announcement headlines

- Revenue growth of 1% to $261 million;
- Double digit underlying EBITS growth of 25% to $13 million from brand growth, innovation and cost out measures;
- Improved performance across key markets;
- Leaders in innovation and premiumisation in global markets delivering one third of margin;
- Global leaders in dynamic no-and-low alcohol grew revenue by +20% over the prior comparable period;
- Liquidity secured with increased banking facilities and capital raise;
- Global best practice platform in ESG reinforced through obtaining B-Corp certification;
- Board renewal undertaken with change in strategy targeting strong free cash flow generation of +$20 million per annum and ROCE of 8% by FY27;
- Underlying NPATS up 26% to $5 million however statutory NPATS of -$86 million impacted by change in strategy, reflecting non-cash post tax impairment of $89 million for goodwill, inventory, ROU assets and tax losses; and
- No final dividend declared.

Australian Vintage Limited (ASX: AVG) today announces, further to the change in board strategy released on 19 August 2024, the full year 2024 audited results.

Board renewal

As a result of Board renewal, AVG welcomes new Directors Mr James Williamson, Ms Margaret Zabel, Mr Michael Byrne and Ms Elaine Teh.

The new Directors provide deep experience across Asia beverages, global logistics and financial markets.

Peter Perrin has advised that he will step down from the acting CEO position effective immediately due to the recent diagnosis of a form of cancer. Peter will also step down from the Board on 30 August 2024. Peter has been with the Board for over 7 years and has recently been the acting CEO since May 2024. Peter has added a great depth of experience from the wine industry to Australian Vintage. The Board thanks him for his dedication and service and supports his need to focus on his health and treatment, wishing him well on his road to recovery.

James Williamson will take on an interim Chair and interim CEO role with the CEO search underway.

Strategic focus

The change in the Board has resulted in a change in strategy to target free cash flow generation and increased ROCE through accessing markets AVG does not currently compete in.

The multi prong strategy implemented by AVG to:

- Drive top line growth through:
    - Investing in category leading, and margin accretive, brands and innovation;
    - Leveraging existing export capability to position for new market expansion across China, rest of Asia and the Americas;
    - Utilising industry leading ESG credentials to deliver a point of difference; and
    - Leveraging the balance sheet whilst investing inventory into markets and categories, without discounting pillar brands, where it currently does not compete.
- Continue focus on its operational footprint and reduce the cost base through:
    - Reducing fixed grape supply and increasing flexibility of grape sourcing (e.g. Balranald lease termination);
    - Improving inventory churn from an average of two years to one-and-a-half years;
    - Drive further operational efficiencies; and
    - Optimisation of the overall operational footprint.
- Maximising utilisation of AVG's modern processing facilities that have capacity to support planned growth and/ or industry partnership/ consolidation opportunities.

The outcome of the strategy is targeted to deliver a free cash flow neutral position by the end FY25, free cash flow generation of +$10 million to +$20 million in FY26, and +$20 million per annum in free cash flow generation by end FY27. Note, FY25 is cash flow neutral as 70% of the contracted grapes purchased for vintage 24 are paid in FY25, in line with industry norms. ROCE of +8% is targeted by the end of FY27 and earnings more closely aligned to free cash flow.

Performance and market overview

Given the trading environment, and challenging industry conditions, AVG has been able to improve revenue and earnings over the prior year in contradiction to industry trends. A relentless focus on efficient brand investment, innovation and cost out measures have seen earnings and cash flow improvement. In all key markets inflation continued with competitive aggression deflating overall shelf price and increasing the cost of doing business. Double digit underlying earnings improvement, in line with guidance, has increased EBITDAS to $29 million, EBITS to $13 million and NPATS to $5 million, 12%, 25% and 26% respectively higher than the prior year.

AVG has continued to maintain, and improve, market share across key geographies. AVG's branded business is in growth, with pillar brand sales maintained at 78% of total revenue (65% in FY 20). Investment into pillar brands has resulted in a 4% compound annual growth rate (CAGR) since FY20. Over that time, all of the key pillar brands have grown in value, with a CAGR of Tempus Two +7%, Nepenthe +13%, Barossa Valley Wine Company +6% and McGuigan +1%.

In emerging markets, North America has grown by +28% over the prior year whilst previous growth in Ireland has been maintained. China commenced re-ordering in the second half of the financial year whilst the partnership with COFCO has been renewed with a re-signing of the ten-year partnership agreement. Rest of Asia has been a challenging market for Australian exporters with inflationary pressures impacting discretionary spend.

Innovation is key to revenue and margin growth and is a core strength of AVG. Premiumisation and innovation now represent 26% of revenue and 35% of margin, a significant increase from 7% and 10% respectively in FY19, prior to the launch of McGuigan Zero. Innovation launched in FY24 includes Not Guilty, McGuigan Mid, Tempus One and McGuigan Gold. AVG are the global leaders in no-and-low with our McGuigan Zero product number 1 in the UK, Ireland, Australia and NZ. Globally, AVG has increased the revenue contribution from the no-and-low wine category by +20% over the prior year.

Normalised free cash flow (pre capital raise, asset sales and dividends) has improved by +$6 million over the prior period. Working capital was impacted by timing of sales in the UK, timing of sales receipts, and higher inventory due to higher processing of grapes and Red Sea impacts.

Other balance sheet

In May 2024, the bank agreed to extend existing facilities to March 2027 with increased covenant flexibility. Whilst an in principal agreement was reached with the bank in May, final bank documents were signed in the first week of July. Over and above the facility extension, the bank also agreed to provide an incremental $15 million of facilities, with $5 million to be paid back in November 2025 and the residual $10 million to be paid back in November 2026, securing AVG's liquidity.

AVG also successfully completed a $14 million capital raise ($15 million raise net of $1 million in fees) increasing the number of shares in AVG to ~328 million. The combination of these factors and free cash flow has resulted in a net debt balance of ~$56 million, and a net debt/ underlying EBITDAS of 1.9 times.

AVG has been actively working to increase the flexibility of its grape sourcing whilst removing assets that are not core to growth. Through this strategy AVG were able to sell the Yaldara vineyard in May 2024 and terminate the lease to Balranald in July 2024, a vineyard producing 11 – 13 ktonnes of grapes per annum.

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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Important Information

This announcement is in summary form and is not necessarily complete. It should be read together with the Company's Appendix 4E and other announcements lodged with the Australian Securities Exchange.

This announcement contains information that is based on projected and/ or estimated expectations, assumptions or outcomes. Forward looking statements are subject to a range of risk factors. The Company cautions against reference on any forward-looking statements, particularly in light of economic conditions that impact consumer demand and the cost base, foreign exchange impacts, agricultural risk and other geopolitical risks.

While the Company has prepared this information with due care based on its current knowledge and understanding and in good faith, there are risks, uncertainties and other factors beyond the Company's control which could cause results to differ from projections. The Company will not be liable for the accuracy of the information, nor any differences between the information provided and actual outcomes, and reserves the right to change its projections. The Company undertakes no obligation to update any forward-looking statement after the date of this presentation, subject to disclosure obligations.

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