

Australian Vintage Ltd.  
December 2017 Half Year Results

21<sup>st</sup> February 2018



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# Key Points

- Net Profit after tax \$4.4 million compared to \$1.6 million in the prior period
- Revenue up 18.1% to \$140.9 million, with improved sales in all segments
- Cash Flow from Operating Activities positive \$11.0 million compared to \$7.8 million in prior period
- Net Debt of \$83.0 million compared to \$82.8 million as at 30 June 2017
- Sales of McGuigan, Tempus Two and Nepenthe up 10%
- AVL strategies remain unchanged:
  - Grow export business
  - Increase branded sales
  - Focus on cost control
- As in previous years no interim dividend.





# Australian Wine Industry / Global Production

In the 12 months to December 2017 the value of Australian wine exports increased by 15% to \$2.6 billion, the highest annual growth since 2004, and volume increased by 8% to 811 million litres. The average value of exports grew by 7% to \$3.16 per litre, the highest level since 2009.

Wine exports into China continue to lead growth with sales up by 63% to \$848 million. China continues to be the largest market for Australian wine by sales and third by volume.

Export sales to the key markets of USA and UK declined by 2% and Canada declined by 3%.

The 2018 Vintage has started and it is too early to determine what the Australian Wine Industry will crush. Early expectations are for an average vintage.



# Australian Wine Industry / Global Production (cont.)

In terms of global production, the 2017 production is estimated at 246.7 mhl, a fall of 8% when compared with 2016. Europe had a disastrous vintage with Italy, France and Spain all impacted from extreme weather events – from frost to drought. The 2017 global wine production is one of the lowest for several decades.



Source: OIV

# Business Results & Summary

## 1. Branded Sales

During the 6 month period to December 2017, total sales of our three key brands, McGuigan, Tempus Two and Nepenthe increased by 10%.

McGuigan sales increased by 7% with sales in UK/Europe increasing by 12% and sales in Australasia/North America in line with prior period.

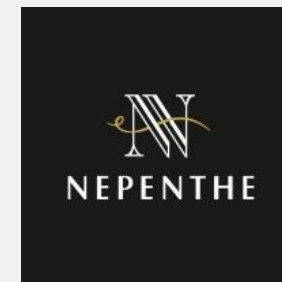
Tempus Two sales increased by 44% due to increased sales in Australasia/North America. Nepenthe sales increased by 35%.

The McGuigan brand continues to be well received in the UK market and was the second largest selling global brand in the 12 weeks to December 2017.



McGUIGAN  
WINES

TEMPUS TWO



# Business Results & Summary (cont.)

## 2. Australasia / North America Packaged

Australasia/North America packaged sales were up 6% on the prior period with bottled branded sales up 7% and cask sales up 3%.

Australasia/North America packaged EBIT increased by 17% due mainly to improved mix of sales in Australia with increased sales of Tempus Two, Nepenthe and increased sales in both the New Zealand and North American regions. Even though sales into Asia increased, contribution was slightly down due to the decision to increase resources in that region ahead of expected sales growth.

Australian sales increased by 2.5% with bottled branded sales up 2.3% and cask sales up 3.4%. Sales of the higher margin Tempus Two brand increased 44% and the McGuigan brand was in line with the prior period.

Sales to New Zealand have grown by 49% due to increased promotional activity resulting in a 63% growth of the McGuigan Black Label brand.

Asian sales have grown by 12% with total sales to our two key China distributors marginally below expectation. COFCO, our McGuigan distributor in China, performing in line with expectation with large orders anticipated in the second half of this year. Sales to Vintage China, have been slower than expected but Vintage China expect to make up the shortfall in the next 6 months.

For the 12 months to December '17 our sales to China have grown by 57% when compared to the 12 months to December '16. This is in line with the wine industry sales growth to China.





# Business Results & Summary (cont.)

## 3. UK / Europe

UK/Europe packaged, and bulk sales were up by 20% with packaged sales up 20% or \$9.3 million and bulk and private label sales marginally down on prior period. The GBP exchange rate was in line with the prior period and therefore had no impact on the sales growth.

The UK/Europe contribution increased by \$3.6 million to \$4.7 million due to the January 2017 price increase, the improved sales mix through the introduction of the McGuigan Black Label brand and the added focus on expanded our footprint in all channels.

Sales of bulk wine and private label was marginally down on last year at \$0.9 million.





# Business Results & Summary (cont.)

## 4. Other Segments

The Cellar Door contribution was in line with prior period.

Australasia/North America Bulk segment contribution declined by \$0.3 million due to losses on some bulk wine sales. These bulk sales were made to remove wine that was not required for future sales and to increase throughput at our Wineries.

## 5. Financial Position

The Company recently signed an extension to the existing funding facility to September 2020 and with a positive operating cash flow, the financial position is sound. The gearing ratio remains at a comfortable 29% (29% as at 30 June 2017).



# Results Summary – Revenue (\$'000)

	6 Months to		Change	
	31/12/17 \$000	31/12/16 \$000	Variation \$000	%
Australasia/North America Packaged	58,421	54,994	3,427	6
UK/Europe (see note)	56,873	47,580	9,293	20
Cellar Door	5,959	5,391	568	11
Australasia/North America bulk & processing	16,643	8,769	7,874	90
Vineyards	3,045	2,598	447	17
	<b>140,941</b>	<b>119,332</b>	<b>21,609</b>	<b>18</b>
Note: Split of UK/Europe revenue				
UK/Europe packaged	55,965	46,627	9,338	20
UK/Europe bulk and Private Label	908	953	(45)	(5)

# Results Summary (\$'000)

	6 Months to		Change	
	31/12/17 \$'000	31/12/16 \$'000	\$'000	%
Australasia / North America Packaged	5,097	4,341	756	17
UK / Europe	4,669	1,043	3,626	348
Cellar Door	1,010	998	12	1
Australasia / North America bulk and processing	(386)	(45)	(341)	(758)
Vineyards	(1,091)	(1,392)	301	22
EBIT	9,299	4,945	4,354	88
Finance costs	(2,900)	(2,627)	(273)	(10)
Interest received	11	7	4	57
Profit Before Tax	6,410	2,325	4,085	176
Tax	(1,977)	(727)	(1,250)	(172)
Net Profit (after tax)	4,433	1,598	2,835	177



# Outlook



The Company continues to focus on growing its three key brands, McGuigan, Tempus Two and Nepenthe and the last 6 months have shown that this strategy is correct. Our sales mix is improving with 44% growth of the Tempus Two brand and the introduction of the McGuigan Black Label brand into UK Supermarkets. Sales growth into Asia have been slower than expected but we believe that we have the right strategy for sustainable long-term growth in that region.

The cash flow from operating activities continues to improve with operating cash flow up 42% over the prior period. Even though we are committed to a significant capital spend of \$19 million this year we expect our operating cash flow to fully fund this capital expenditure.

Australian Vintage continues to transform from a bulk wine company to a quality and well respected branded wine business. This global transformation will continue as we push into the Asian and US markets. Our persistence on improving efficiency will mean that the company will

invest \$19.0 million on capital projects this fiscal year. These capital projects will lead to efficiency gains and improved quality of wine.

Based on the exchange rate remaining at around the current level and a normal 2018 vintage, we expect our 2018 result to be at least 60% up on the 2017 result.

This forecast comparison to the prior year takes into account the large 2017 vintage which resulted in a higher than expected SGARA in the second half of the 2017 financial year. At this early stage, we are expecting this year's vintage to be about average which is slightly down on last year.

As in previous years, no interim dividend will be paid.

# Wine Show Results / Key Brand Facts

## McGuigan



**MCGUIGAN**  
WINES

- ❖ Winestate Wine of the Year Awards: Wine of the Year Shortlist Chardonnay 2016
- ❖ Cowra Wine Show: Best Semillon of Show Trophy 2007 Bin 9000 Semillon
- ❖ China Wine & Spirits Awards: Coonawarra Wine of Show Trophy Shortlist Cabernet Sauvignon 2014
- ❖ Japan Wine Challenge: International Trophy for Best New World White Wine. 2007 Bin 9000 Semillon
- ❖ International Wine & Spirits Competition: Semillon Trophy Bin 9000 Semillon 2006 Jancis Robinson Riesling Trophy Shortlist Riesling 2010
- ❖ Decanter Asia Wine Awards: Platinum Best in Show Bin 9000 Semillon 2007 Platinum Best in Show Shortlist Chardonnay 2016
- ❖ Rutherglen Wine Show: Best Australian Dry White Table Wine Trophy (Chardonnay Shortlist Chardonnay 2015 | Best Australian Dry White Table Wine of Show Trophy Vineyard Selection Semillon 2005
- ❖ National Cool Climate Wine Show: Champion Wine Of Show Shortlist Chardonnay 2016

# Wine Show Results / Key Brand Facts

TEMPUS TWO

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## Tempus Two

- ❖ Cowra Wine Show: Gold 2014 Pewter Shiraz
- ❖ San Francisco International Wine Competition: Gold 2016 Varietal Cabernet Merlot | Gold 2016 Varietal Verdelho
- ❖ China Wine & Spirits Awards: Gold Uno Shiraz 2014
- ❖ Decanter Asia Wine Awards: Gold Copper Zenith Semillon 2004 | Gold Pewter Semillon 2013
- ❖ National Cool Climate Wine Show: Gold Pewter Pinot Gris 2017



# Wine Show Results / Key Brand Facts

## Nepenthe



- ❖ Winestate Wine of the Year Awards: Alternate White Variety Trophy Winemakers Selection Gruner Veltliner 2016
- ❖ Hong Kong International Wine and Spirits Competition: Sauvignon Blanc Trophy Pinnacle Petraea Sauvignon Blanc 2016
- ❖ Adelaide Hills Wine Show: Pinot Gris Trophy Altitude Pinot Gris 2017
- ❖ Royal Hobart Wine Show: Gold Altitude Pinot Noir Rosé 2017
- ❖ Royal Adelaide Wine Show: Gold Altitude Sauvignon Blanc 2017