



AUSTRALIAN VINTAGE LTD  
ABN 78 052 179 932

**Company Announcements  
Australian Securities Exchange**

**27 February 2019**

**Half Year 31 December 2018 Results**

Australian Vintage Limited will host an investor and media conference call commencing at 9:00 am (AEDST) on Thursday 28<sup>th</sup> February 2019 (dial-in details below). The presentation material will be available at [www.australianvintage.com.au](http://www.australianvintage.com.au).

In the event local dial in numbers are not available or successful, dial 0011 61 2 8318 0010 to connect.

**Teleconference Dial-In Details:  
Conference Passcode: 39800728**

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**Australian Vintage Limited Half Year Result to 31 December 2018**  
**Net Profit up 46%**

**Key Points**

- Net Profit after tax \$6.5 million compared to \$4.4 million in the prior period
- Revenue up 8% to \$143.1 million with branded sales up 14%
- Cash Flow from Operating Activities positive \$10.9 million compared to \$11.0 million in prior period

Australian Vintage (ASX: AVG) today reported a half year net profit result of \$6.5 million.

Australian Vintage Limited ('AVL') Chief Executive Neil McGuigan stated: "The ongoing improvement in our branded sales has contributed to the 46% growth in our half year result, again reinforcing that our strategies are correct. The McGuigan brand continues to perform exceptionally well in the UK with sales up 16% when compared to the prior period. McGuigan remains the third largest global wine brand in the UK.

The contribution from our UK/Europe operations increased by \$1.7 million to \$6.4 million due mainly to increased sales of the McGuigan brand and improved distribution and mix.

Even though the UK remains our largest overseas market, we continue to have a strong focus on growing and strengthening our distribution channels in the key Australian market and overseas markets of Asia, United States and Canada. In the 6-month period to December 2018, sales into Asia have increased by 51%, reinforcing our long-term strategy for this region. Whilst the contribution from the Asian division remains relatively small when compared to other segments of our business, it is showing good growth. As we have previously stated, we remain confident that the long-term outlook for sales into Asia looks positive, but we must manage this growth appropriately in terms of pricing and depletions.

Our three core brands continue to perform well with sales of McGuigan, Tempus Two and Nepenthe all in growth. For the half year, sales of these three core brands increased by 14% with the McGuigan brand growing by 15%, Tempus Two by 4% and Nepenthe by 3%.

Our cash flow from operating activities continues to be significantly positive and for the half year it was \$10.9 million, in line with 31 December 2017. Our capital spend for the half year was \$10.9 million with a further \$8.6 million planned for the remainder of this financial year.

This year's vintage is underway and early indications are that the recent extreme heat and dry conditions have negatively impacted yields across most grape growing regions. Together with the frost that occurred on some of our vineyards in October last year, we are expecting that our vineyard yields will be at least 10% below expectation. This will impact our SGARA (Self Generating and Regenerating Assets) income for this financial year. With regard to our wine supply base to meet our growing sales, we had already taken steps earlier in the year to ensure we have enough wine by entering into bulk wine supply contracts and through the long-term lease agreement on the 10,000 tonne Millewa vineyard".

## Sales

Revenue for the half year increased 8% or \$10.7 million due to increased sales of our branded products in both the Australasia/North America and UK/Europe segments.

Australasia/North America packaged sales were up 10% on the prior period with bottled branded sales up 11% and cask sales up 2% -

	Sales (\$000)	
	6 months to December 2018	6 months to December 2017
Australia	42,795	40,236
Asia	7,948	5,278
New Zealand/North America	7,039	7,253
<b>Australasia/North America</b>	<b>57,782</b>	<b>52,767</b>

- Australian sales increased by 6% with bottled branded sales up 8% and cask sales up 2%. Sales of McGuigan increased by 13% and the higher margin brand, Nepenthe, increased by 6%. Tempus Two increased by 3% on the back of promotional phasing with strong expectations following significant growth in the prior period.
- Sales to Asia increased by 51% due to a significant increase in sales to our major distributor in China. McGuigan sales increased by 47% while Nepenthe and Tempus sales also increased but from a lower base.
- New Zealand sales increased by 16% with all the growth coming from the McGuigan brand.
- North American sales have decreased by 14% on the back of significant growth in prior periods.

UK/Europe sales were up 16% with packaged sales up 16% or \$8.5 million and bulk sales up 6% from a very low base. McGuigan is now the second largest global wine in the UK by volume and continues to grow in supermarkets and convenience channels.

Australasia/North America bulk & processing sales decreased due to reduced lower margin bulk wine sales.

## Sales By Segment

	6 Months to		Change	
	31/12/18 \$000	31/12/17 \$000	Variation \$000	%
Australasia/North America Packaged	57,782	52,767	5,015	10
UK/Europe	62,487	53,929	8,558	16
Cellar Door	5,168	5,959	(791)	(13)
Australasia/North America bulk & processing	14,371	16,643	(2,272)	(14)
Vineyards	3,256	3,045	211	7
	<b>143,064</b>	<b>132,343</b>	<b>10,721</b>	<b>8</b>
Split of UK/Europe revenue				
UK/Europe Packaged	62,225	53,682	8,543	16
UK/Europe Bulk and Private Label	262	247	15	6

*Note: Sales for the 6 months to December 2017 have been adjusted to comply with the new Revenue Recognition Accounting Standard – AASB15 (refer ASX half year accounts).*

## EBIT and Net Profit

Even allowing for increased wine costs from the 2017 and 2018 vintages, EBIT increased by \$2.5 million or 27% to \$11.8 million. The UK/Europe segment contributing 67% of the increased EBIT due to the ongoing improved sales mix through the expansion of the McGuigan Black Label brand and the added focus on growing our sales footprint in all channels. The GBP currency movement had no material impact on EBIT when compared to the prior period.

Australasia / North America Packaged EBIT increased by 3% due mainly to an 85% increase in the contribution from the Asian division. The Australian, NZ and North America divisions all achieved an EBIT slightly below last year due to higher marketing costs and higher wine costs -

	EBIT (\$000)	
	6 months to December 2018	6 months to December 2017
Australia	3,219	3,512
Asia	1,198	647
New Zealand/North America	843	938
<b>Australasia/North America</b>	<b>5,260</b>	<b>5,097</b>

Cellar Door EBIT reduced due to increased competition in the Hunter Valley region.

Australasia/North America bulk contribution increased due to decreased loss making bulk wine sales.

Vineyard EBIT increased by \$0.6m due to the termination of an onerous vineyard lease after the 2018 vintage. However, SGARA (Self Generating and Regenerating Assets) income is still materially below expectation due to frost and the extreme weather conditions.

Finance costs were below last year due to lower average borrowing levels.

Profit	6 Months to		Change	
	31/12/18 \$'000	31/12/17 \$'000	\$'000	%
Australasia / North America Packaged	5,260	5,097	163	3
UK / Europe	6,366	4,669	1,697	36
Cellar Door	810	1,010	(200)	(20)
Australasia / North America bulk and processing	(81)	(386)	305	79
Vineyards	(508)	(1,091)	583	53
<b>EBIT</b>	<b>11,847</b>	<b>9,299</b>	<b>2,548</b>	<b>27</b>
Finance costs	(2,076)	(2,900)	824	28
Interest received	38	11	27	245
Profit Before Tax	9,809	6,410	3,399	53
Tax	(3,323)	(1,977)	(1,346)	(68)
<b>Net Profit (after tax)</b>	<b>6,486</b>	<b>4,433</b>	<b>2,053</b>	<b>46</b>

## Financial Position

Operating cash flow of \$10.9 million was basically in line with the December 2017 cash flow and the net debt increased slightly by \$2.5 million compared to June 2018. Compared to December 2017, net debt decreased by \$3.3 million.

The gearing ratio remains at a comfortable 27% (26% as at 30 June 2018).

## **Outlook**

Australian Vintage continues its transformation from a bulk wine company to a quality respected branded wine business. The transformation is supported by the fact that our three key brands, McGuigan, Tempus Two and Nepenthe, have grown by 64% over the last five financial years. As evidenced by our six month result to December 2018, this transformation is continuing and gathering pace.

The December 2018 result was pleasing with Net Profit after tax up 46%. However, this result was hindered by the lower than expected forecast yields from our vineyards in 2019.

As reported at the November 2018 AGM, there was frost in some grape growing regions which will result in a lower than expected yield from our vineyards. The combined impact of this frost plus the recent extreme weather is expected to impact our full year SGARA result by \$3.0 million to \$5.0 million (before tax) against expectation.

The UK/Europe segment has performed very well with sales up 16%. This sales trend has continued in January 2019 and we remain cautiously optimistic that improved UK sales will continue after Brexit.

After a number of years establishing our distribution in Asia, we are now seeing sustainable sales growth from our major partner in China.

Our trading result continues to be very strong. However, the impact of reduced yields will significantly impact our second half result. Assuming the GBP remains at around 0.55 and taking into account the uncertainty of vintage conditions, we expect our 2019 result to be up by 5% to 15% on the 2108 result.

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

## **ENDS**

### **Further information**

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