AUSTRALIAN VINTAGE LTD

Company Announcements
Australian Securities Exchange

4 May 2022

TRADING AND VINTAGE UPDATE
UNDERLYING GROWTH AND PILLAR BRAND IMPROVEMENT DESPITE LOGISTICAL CHALLENGES

Key Points

- 101,580 tonnes of grapes crushed in Vintage 2022, and supply in balance with demand
- Strategic plan well on track as a consumer led branded business
- Pillar Brand sales revenue expected to be a higher percentage of sales. McGuigan Zero 75% higher in sales than prior year
- Australia/New Zealand retail sales to the end of March 6% higher than prior year, with Pillar Brand sales 8% higher
- We have gained share in all key markets
- Despite a tough UK market, we continue to outperform, growing share, against a backdrop of significant global freight disruption and a total market disrupted in H1 by labour and driver shortages
- Asia sales are up 12% on the prior year driven by accessing new markets in Taiwan, Malaysia and Singapore
- North America sales are up 13% on the prior year with strong growth in Canada
- Cash Flow from operating activities on track to generate a positive full year contribution that is within 10% of the previously advised outlook of around $20 million
- Underlying EBITS, excluding FX movements, SGARA, and one-off non-recurring items forecast to be higher than prior year.

Vintage Update

Australian Vintage (ASX: AVG) today reported that it crushed 101,580 tonnes of grapes from the 2022 Vintage compared to 116,600 tonnes last year. Importantly the reduction was planned for and has primarily resulted from the cessation of a low margin contract processing arrangement representing 13,500 tonnes. This is in line with the overall strategic plan. If you exclude the contract processing arrangement, tonnes crushed is within 1% of the prior year crush.

Craig Garvin, Chief Executive Officer said “This year’s total crush of 101,580 tonnes is very pleasing considering frost and extreme wet weather conditions. The yields from our irrigated vineyards were down 9% on last year, which is a superb result in this context. AVL has its wine supply in balance with demand, and the quality from this year’s vintage is exceptional.”

SGARA will be assessed as part of the full year results, in line with receiving grape pricing information from Wine Australia in July 2022.

Trading Update

"Our result to the end of March is in line with our expectations.

The four pillar brands of McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company continue to perform well, despite the challenges global logistics have presented. Pillar brand sales revenue is within 1% of our strategic plan, and in line with prior year record sales despite global logistics challenges causing shelf out of stocks. Gross Margin normalised for the non-recurring items presented at the half year, has improved by 6 percentage points over the prior year, reflecting the move to higher margin aspirational brands. As at end of March, total sales of the overall McGuigan brand decreased by 5% driven primarily by the UK, however the focus on higher margin product lines is showing significant growth including McGuigan Zero 75%, Tempus Two 25%, and Nepenthe 32%. With the consumer led focus, our portfolio approach is working as we improve our overall margin and product mix.

In Australia/New Zealand (ANZ) the four pillar brands have increased sales revenue by 8% over the prior year driven primarily by McGuigan. McGuigan Zero sales have improved by 92% over the prior year and are contributing 25% to the overall McGuigan sales in ANZ. High margin Tempus Two and Nepenthe have increased by 12% and 32% respectively over the prior period. The launch of the drinks range and the partnership with Sarah Jessica Parker, through Invivo, is expected to improve margin in the medium to long term.

The UK/Europe/Americas segment sales revenue is 10% lower than the prior year primarily due to a softening of the UK retail market after a record previous year, as well as supply disruption at our customers in H1 related to COVID. We continue to exit the less profitable bulk business as we successfully grow our higher margin pillar brands. Australian Vintage continues to outperform the market, growing market share not only at a company level but also with McGuigan and Tempus Two. High margin Tempus Two and McGuigan Zero have grown by 89% and 54% respectively over the prior period, with Tempus Two the fastest growing Top 50 brand in UK grocery, and McGuigan Zero now the no 1 alcohol free still wine brand. Australian Vintage has very strong partnerships with our global shipping partners that has allowed us to maintain industry leading service levels to customers despite very challenging global supply issues

We continue to see a strong recovery in Canada, +13%, not only with AVL brands but also with our longstanding supply partnerships, giving us strong distribution across all provinces.

Sales within the Asia segment have improved by 12% on the prior period. Sales are penetrating new markets including Taiwan, Malaysia and Singapore. Whilst Asia represents 3% of total sales, its contribution is expected to improve over time."

Outlook

"At the half year the Company projected where it thought it would end up with the full year results.

The Company reiterates that it expects Pillar Brand sales, as a percentage of sales revenue, and market share to be higher than the prior year, and coupled with higher underlying margins, after excluding one-off non-recurring events and FX movements, places the Company on a solid foundation to leverage future returns for its shareholders.

The one-off non-recurring events, identified at the half year, were the temporary closure of our cellar doors due to COVID restrictions (impacting EBITS by $0.8 million) and additional demurrage and stock outs in the UK arising from the challenging global logistics environment and the UK structural issues arising from BREXIT (impacting EBITS by $3.7 million).

Foreign Exchange rates continue to be volatile with a 1 pence movement impacting EBITS by $0.7 million. Australian Vintage has hedges in place for 70% of its facilities.

On an underlying basis, after excluding FX movements, one-off non-recurring costs, and SGARA, EBITS is expected to be in the range of $31.1 million to $35.3 million, an increase over the prior period EBITS. Underlying NPATS, excluding FX movements, one-off non-recurring costs, and SGARA, is expected to be in the range of $20.0 million to $24.0 million. These numbers are subject to audit and completion of the final accounts in August 2022.

Regarding cash flow, the Company is on track to generate a positive cash flow from operating activities in the second half. Full year operating cash flow is expected to be within 10% of the previously released $20.0 million outlook with net debt still forecast to be around $70.0 million. At this comfortable level of debt, gearing (Net Debt/ Equity) is expected to be about 25%. With net debt/ net debt plus equity at a low 20%. These low levels of gearing provide a strong balance sheet to invest in value accretive opportunities.

Our vision, values, and balanced scorecard remain critical to the ongoing growth of the Company as they guide the business approach with a strong focus on putting the consumer at the heart of everything the Company does."

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

ENDS
Further information

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