AUSTRALIAN VINTAGE LTD
ABN 78 052 179 932

Company Announcements
Australian Securities Exchange

22 April 2020

TRADING AND VINTAGE UPDATE
ON TARGET TO ACHIEVE 25% TO 30% NET PROFIT GROWTH

Key Points

- 101,400 tonnes of grapes crushed in Vintage 2020, up 22% on last year
- Grape yields from owned and leased vineyards up 29% on last year
- UK/Europe sales to the end of March 2020 up 2% and Australian sales up 5% on last year
- Cash Flow from operating activities on track to be positive but down on last year due to significant bulk wine purchases
- Subject to no material changes in the current exchange rates, no major changes to the current restrictions imposed by the Covid-19 virus and excluding the impact of the new accounting standard on leases, Net Profit after Tax (NPAT) is expected to be up 25% to 30%

Vintage Update

Australian Vintage (ASX: AVG) today reported that it crushed 101,400 tonnes of grapes from the 2020 Vintage compared to 83,000 tonnes last year.

Craig Garvin, Chief Executive Officer said "This year's total crush of 101,400 tonnes is very pleasing taking into account the fires in the Adelaide Hills, the early frost event in one of our vineyards and the fact that we had to reject 4,300 tonnes due to smoke taint. The yield from our irrigated vineyards were up 18% on last year and if you add the recently leased Jubilee vineyard, irrigated vineyard yields were up 30%. In the premium regions our vineyard yield was in line with last year but down 50% on expectation.

The great work of our operations staff over the last year ensured that AVL outperformed the market in a very tough drought environment.

Not only has the increased yield from our vineyards improve SGARA (Self Generating and Regenerating Assets) by $2.7 million (after tax) against last year, it will reduce our need to purchase significant amounts of bulk wine over the next 12 months and assist in improving our cash flow in FY21.

The 22% increase in tonnes crushed by AVG has also improved winery efficiency which will result in a lower processing cost for all the wine made from this year's vintage.

The early indications are that the Australian total vintage will be down on last year, with estimates indicating that some regions will be down by as much as 50% on average. Quality from this year's vintage is exceptional".

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Trading Update

“Overall, our result to the end of March is very pleasing with mixed results within each of our segments. The UK performance is exceptional with sales volumes up on last year against an industry trend that is showing Australian wine sales to the UK declining by 10%. The favourable exchange rate has further enhanced the performance of this segment.

Our Australian wine sales have also performed well with sales to the end of March up 5%.

Sales to Asia and North America are well down on last year. North America sales are expected to pick up in the remainder of this financial year due to corrective market place strategy which is showing a return to growth. Asia for the following 6-12 months will be flat and is factored into our guidance. Our long term Asia business is well placed for growth.

With all our cellar doors closed, we expect no further cellar door sales for this financial year.

Our branded business continues to grow with sales of our McGuigan brand up 4% on last year and Tempus Two up 18%. Nepenthe is 2% down on last year but we expect this to pick up in the remaining months of this financial year”.

Outlook

“The forecast growth for FY20 is underpinned by the growth in SGARA and the favourable exchange rates. The favourable performance in Australia and UK is expected to mitigate the higher cost of the 2019 vintage and the below expected performance in Asia, North America and our cellar doors.

For the full year and assuming no material movement in exchange rates, no major changes to the current restrictions imposed by the Covid-19 virus and excluding the impact of the new accounting standard on leases, we expect our NPAT to be up between 25% and 30% on last year”.

COVID-19

The following provides a summary of the key impacts of COVID-19 on the AVG business:

- Supply chain operations continue to function with no material interruptions at this stage. AVG has in place hygiene, social distances and shift change over procedures as part of its business plans.
- AVG has recently experienced strong retail depletions growth of the McGuigan brand. This is in line with the greater demand for in-home consumption during government imposed shutdowns.
- Certain parts of the AVG business have been impacted by the various shutdowns imposed by the Government. Cellar doors remain closed and our on-premise sales have been affected by the closure of restaurants and bars.
- The restrictions requiring people to stay at home has meant that most of our non-production staff are now working from home. AVG is managing employee work load based on business activity levels and in some cases re assigning employees to different tasks and divisions within our business. The Company is taking every measure possible in order to safeguard the ongoing roles of our employees during this period.

The announcement was authorised for release by the AVG Board.

ENDS
Further information

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