

Company Announcements Australian Securities Exchange

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TRADING AND VINTAGE UPDATE REMAIN ON TARGET TO ACHIEVE 65% TO 75% NET PROFIT GROWTH

Key Points

- 116,600 tonnes of grapes crushed in Vintage 2021, up 15% on last year
- Grape yields from owned and leased vineyards up 11% on last year
- UK/Europe/Americas sales to the end of March 2021 up 12% and Australian and New Zealand sales up 4% on last year
- Cash Flow from operating activities on track to be significantly up on last year
- Subject to no material changes in the current exchange rates, Net Profit after Tax (NPAT) is expected to be up 65% to 75%

Vintage Update

Australian Vintage (ASX: AVG) today reported that it crushed 116,600 tonnes of grapes from the 2021 Vintage compared to 101,400 tonnes last year.

Craig Garvin, Chief Executive Officer said "This year's improved total crush of 116,600 tonnes is very pleasing with favourable seasonal conditions contributing to a very high quality and improved yielding vintage. The yield from our irrigated vineyards were up 11% on last year. In the premium regions our vineyard yield was up 97%, with both the Adelaide Hills and the Barossa vineyards recovering very well from the fires and drought experienced in the prior vintage.

The increased yield from our vineyards will improve SGARA (Self Generating and Regenerating Assets) income by about \$1.3 million (after tax) against last year. However, this improvement in SGARA income is below expectation due to the decline in market price of red grapes. In the irrigated regions we have seen red grape prices drop from a high of \$770 per tonne to \$530 per tonne due to the slowdown of Australian wine sales to China.

The 15% 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 up on last year, with estimates indicating that premium regions will be up significantly on last year's poor vintage. Quality from this year's vintage is exceptional".



Trading Update

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

Our branded business continues to grow with sales of our four core brands, McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company up 17% on last year. The standout performer within our four key brands is the recently released McGuigan Zero, which has seen sales increase to a level where it now represents 7% of all McGuigan sales. Our portfolio approach is working as we improve our overall margin and product mix.

The UK/Europe/Americas segment performance continues to grow with sales increasing at 12% despite unfavourable exchange rates compared to prior year. Australian importers have seen some stock availability impact due to the temporary closure of the Suez Canal and bottlenecks at the ports. However, stock levels are returning to normal and is fully accounted for in our latest outlook.

Our Australian and New Zealand segment sales have also performed well with bottled sales to the end of March up 9%. Overall sales increased by 4% with lower margin cask sales down 16%.

As expected, sales to Asia have declined and at the end of March total sales are down 18% against prior period. Sales to China are down 88% from a relatively low base, but sales to other Asia have improved by 11%."

Outlook

"The Company is on target to achieve a 2020/21 profit of between \$18.2 million and \$19.2 million compared to \$11.0 million last year, subject to no material change in the current exchange rates. Our branded portfolio and innovation will be of key focus moving forward as we increase product distribution in the UK and Australia.

Our result to the end of March 2021 is in line with our expectations and together with a very good 2021 vintage, the Company is in a sound position for future growth. We continue to have discussions with our China distributor with the hope that our sales into China will resume in the medium term. Both our Asian and Nth American business will play a key strategic role long term to build upon our growing UK and Australian business.

As previously advised to the market, our cash flow from operating activities is forecast to be significantly up on last year and the expected total capital expenditure for the year is around \$8.9 million."

This announcement was authorised for release by the AVG Board.

ENDSFurther information

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