



AUSTRALIAN VINTAGE

## FY 2024 HALF YEAR RESULTS February 2024

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# Highlights: half year 2024 results

## Improved earnings despite extremely challenging environment

- Revenue in line with prior year despite challenging market
- Margin and underlying earnings improvement from brand growth, innovation, and cost out measures
- Improved performance across key markets
- Global leadership in no-and-low with world leading technology
- Operating and free cash flow improving over the prior year
- Achieved B Corp certification
- High confidence in strategic plan
- Market review well progressed, identifying significant opportunities in a distressed industry



# Highlights: half year 2024 results

Innovation, Brand Growth and Cost Outs improving underlying performance

Revenue

**\$136M**

Flat with pcg

Gross Margin

**31%**

+2pp on pcg

EBITDAS (underlying)

**\$16.5M**

+\$3.5m on pcg

EBITS (underlying)

**\$8.6m**

+\$3.2m on pcg

NPATS (underlying)

**\$4.2m**

+\$1.9m on pcg

Net Debt

**\$67.7M**

Vs \$53.1m pcg

Net debt/EBITDAS

**2.3X**

Post AASB16 leases; vs 1.4X pcg

Net Tangible Assets

**\$0.92**

Per share

Gearing

**23%**

Vs 17% pcg



# Our strategic plan continues to position us well for growth in a challenging industry



Consumers and Brands



Markets and Customers



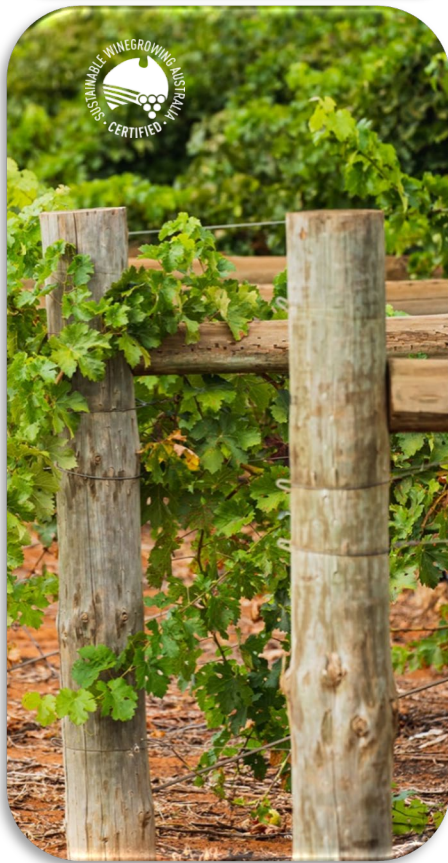
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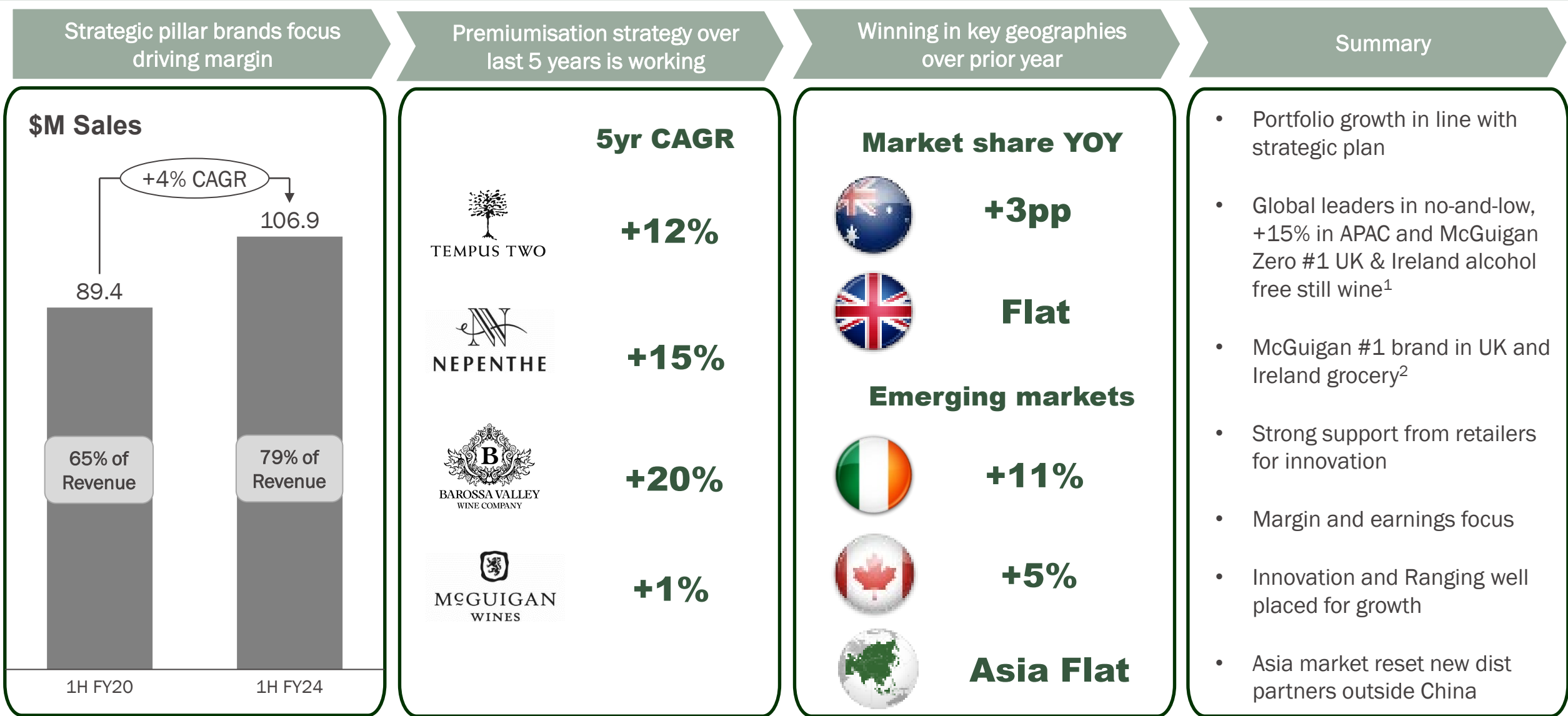
ESG



Return on Assets



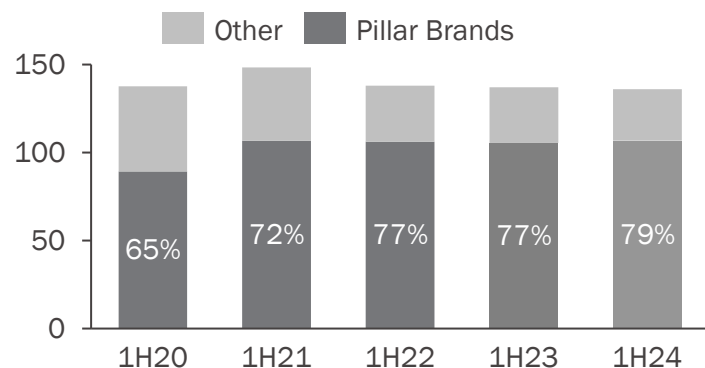
# Strategic investment in brands and innovation over last 5 years offsetting declines in value segment



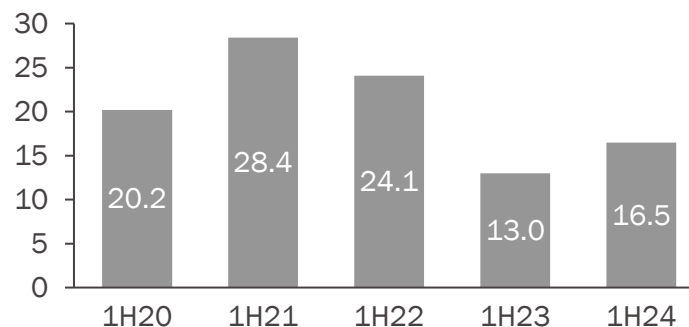
1 Nielsen No Alcohol Total Market Still Wine 52 w/e 30 Dec 23  
2 Kantar Total Still Wine McGuigan 12 w/e 24 Dec 23, Nielsen Ireland Australian Wines Value 52 w/e Sept 23;

# Improved underlying performance across all key metrics

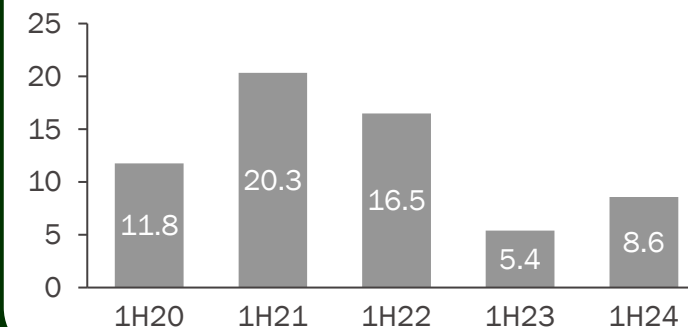
## Total Revenue \$136.1m



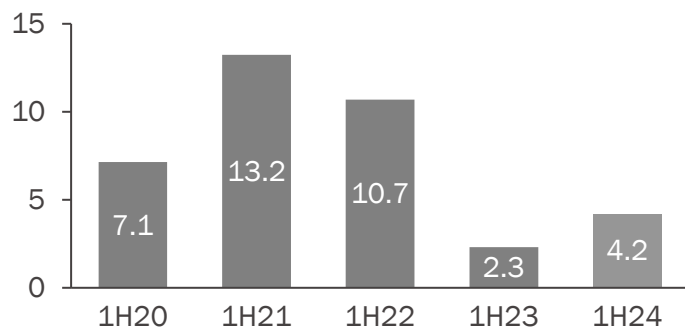
## EBITDAS \$16.5m (underlying)



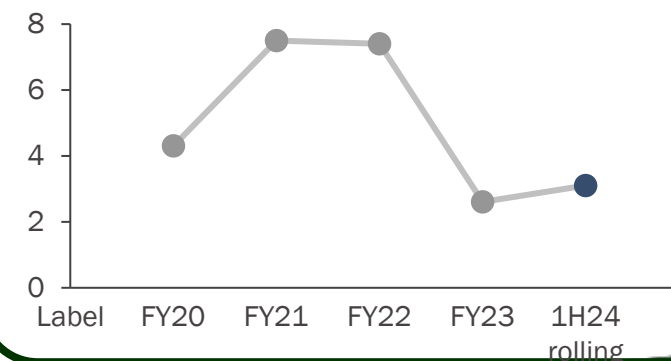
## EBITS \$8.6m (underlying)



## Net Profit After Tax (pre SGARA) \$4.2m (underlying)



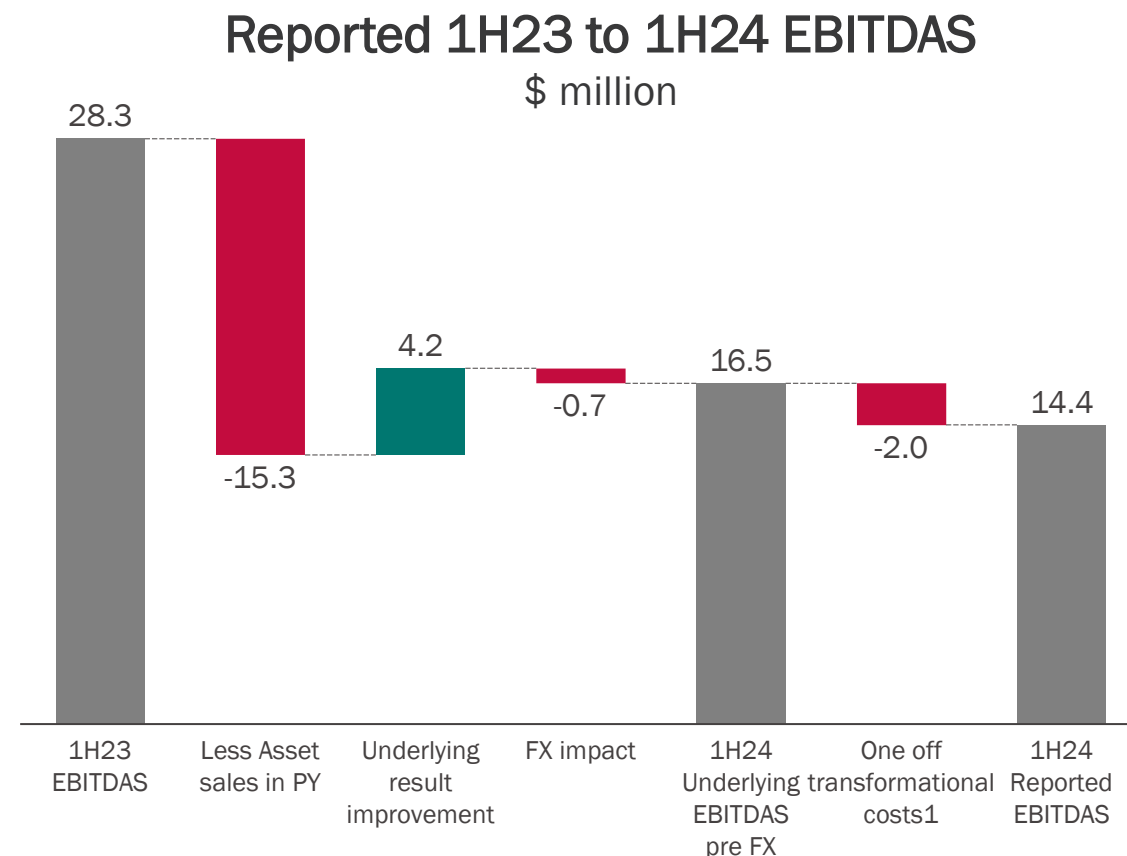
## Return on Capital Employed 3.1% (underlying)



# Reported income statement: Prior year results included asset sales to reduce debt

One off costs incurred to drive transformational opportunities into the future

\$m	1H24	1H23	Fav/ (Unfav) %
Revenue	136.1	137.1	(1)
Gross Margin %	30	29	1pp
EBITDAS	14.4	28.3	(49)
EBITDAS margin (%)	10.7	20.6	(10pp)
Depreciation and Amortisation	(7.9)	(7.6)	(4)
EBITS	6.6	20.7	(67)
EBIT margin (%)	4.9	15.1	10pp
Finance costs	(2.6)	(2.3)	(13)
Profit before Tax	4.0	18.4	(78)
Tax (expense)	(1.2)	(1.7)	71
NPATS	2.8	16.7	(83)
NPATS margin (%)	2.1	12.2	(10pp)



1. Transformational costs of \$2.0m incurred to identify and execute transformational opportunities, including market review, consulting costs and redundancies

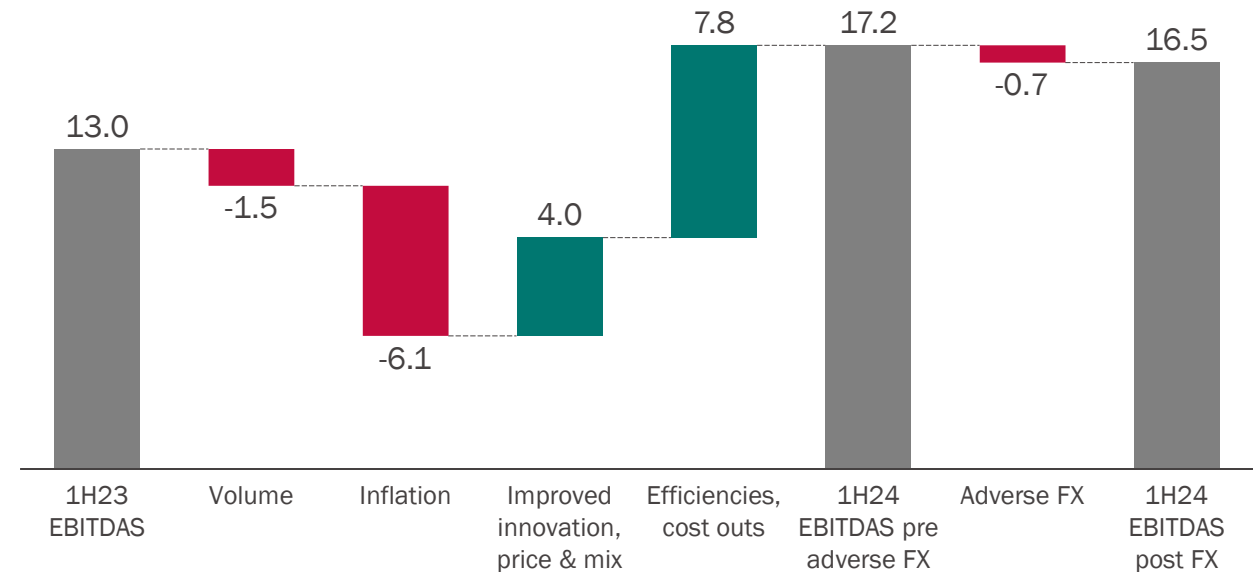


# Underlying income statement: Significant improvement over prior year

Management action on taking price, innovation and cost outs are offsetting ongoing inflation

\$m	1H24	1H23	Fav/ (Unfav) %
Revenue	136.1	137.1	(1)
Gross Margin %	31	29	2pp
EBITDAS <sup>1</sup>	16.5	13.0	27
EBITDAS margin (%)	12.1	9.5	3pp
Depreciation and Amortisation	(7.9)	(7.6)	(4)
EBITS	8.6	5.4	59
EBIT margin (%)	6.3	3.9	2pp
Finance costs	(2.6)	(2.3)	(13)
Profit before Tax	6.0	3.1	94
Tax (expense)	(1.8)	(0.8)	(125)
NPATS	4.2	2.3	85
NPATS margin (%)	3.1	1.7	1pp

Underlying 1H23 to 1H24 EBITDAS  
\$ million



1. Underlying EBITDAS excludes one-off transformation costs of \$2.0m associated with identifying and executing transformational opportunities, including consulting costs and redundancies. In prior year \$15.3m of one-off asset sale costs are excluded

# Cost out from FY23 program in place

A focus on reducing controllable costs taking full affect in second half, ensuring AVG's earnings improve into FY24

- Efficiencies and cost outs more than offset inflation in 1H
- Sea freight costs improvement but still watching brief
- Dry goods negotiations completed
- Domestic logistics efficiencies
- Corporate cost reduction largely through headcount
- Operational footprint consolidated further into Buronga Hill Winery with closure of Hunter Valley Winery
- \$0.6m spent on transformational experts to identify further efficiencies and cost outs of high value



# Cash flow

## Free cash flow improvement over prior half with work underway to improve cash further

\$m	1H24	1H23
Net cash from operations prior to working capital movements	13.1	5.5
Movement in working capital	(22.1)	(25.7)
Other movements in asset/ liabilities	(2.1)	1.6
Net cash from operations	(11.1)	(18.6)
PPE & intangibles	(4.5)	(6.3)
Asset sales	0.1	58.1
Net investing cash flows	(4.4)	51.8
Free cash flow pre financing	(15.7)	33.3
Dividends	-	(8.6)
Leases	(4.1)	(3.3)
Free cash flow pre dividends, post financing	(19.7)	30.0
Total cash flow from activities prior to debt	(19.7)	21.4
Proceeds/ (repayments) of borrowings	22.5	(17.5)
Net increase in cash	2.9	3.8

- Free cash flow pre asset sales and dividends has improved over the prior year
- Working capital in 1H always impacted by 70% grower payment falling in this period
- Seasonal Christmas sales activity will be realised in 2H2024 (normal practice)
- Cost outs full effect
- Lower Capex H2

# Net Debt

## Reducing net debt through a range of management actions

Underlying	1H24	1H23	FY23
Net Debt (excl leases) \$m	67.7	53.1	48.1
Facilities Available \$m	89.4	92.5	89.4
Net debt (excl leases) / EBITDAS (post AASB16 )	2.3 times	1.4 times	1.8 times
Net debt (excl leases) / EBITDAS (pre AASB16 )	3.6 times	2.2 times	3.4 times
Gearing (net debt/equity)	23%	17%	17%
Leverage (net debt/ net debt + equity)	19%	14%	14%
Net Tangible Assets per share	0.92	0.90	0.90
ROCE (EBITS/ Capital Employed)	3.1%	3.9%	2.6%

- 1H24 net debt in line with internal expectations and increased over FY23 from grower payments
- Net debt for FY24 expected to be in range of \$43-50m subject to normal vintage, FX and agricultural risk, delivered through:
  - Expecting positive operating cashflow improvement in 2H with 1H sales receipts received and lower grower payments than in 1H
  - In addition, lower supplier payments with easing of inflation, efficiencies and cost outs
  - Sale of surplus assets including the Barossa Valley vineyard (~\$8m expected)
- Bank facilities extended to Nov 26 with headroom in all covenants
- Rolling metrics impacted by inflationary costs in 2H23



# Outlook

## AVG remains profitable with a sustainable business model standing up against significant headwinds

- Business fundamentals well placed for future
  - Continued investment in innovation and Brands driven by consumer needs (ranked No 1 for Innovation UK Advantage Survey)
  - Rest of Asia and China future upside
  - \$9m of costs outs, price realisation and improved margin to offset continued inflation
  - Highly engaged workforce
- Emerging business in Middle East and India with strategic partners identified
- Underlying EBITDAS and NPATS to improve into FY24 from FY23 subject to FX, global disputes and agricultural risk
  - Full year underlying EBITDAS to be directionally aligned to F22 per AGM update subject shipping costs
  - Red Sea drone attacks and DP World disputes being monitored closely with potential earnings risk of \$2-3m
  - Net bank debt reductions to levels prior to the capital return in 2021 to be between \$43-50m

# Strategic Review: Agenda

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1 Industry state of play and how AVG is positioning for success

2 Industry findings

3 Benchmarking of identified Initiatives

4 Progress update on Initiatives

# Strategic Review: Industry state of play and how AVG is positioning for success

## External shocks have created a uniquely challenging operating environment for the Australian wine industry...

- Trade tariffs
- Supply chain dislocation
- Cost hyperinflation
- Extreme weather
- Supply glut
- Evolving consumption trends



## ...AVG is taking active steps to enhance its resilience and growth prospects; strategy is working

- Export market diversification
- Product innovation
- Pillar brand growth
- Cost efficiencies
- Asset base monetisation
- Focus on debt reduction

AVG is outperforming its key competitors; we are confident of emerging from this period as a 'reset' business with a stronger platform for sustainable growth and shareholder value creation

# Strategic Review: Industry findings

**Industry is currently challenged which is impacting overall profitability...**

1

Surplus processing infrastructure

- Too much capacity
- Large fixed cost base
- Low utilisation

2

Pockets of irrational competitive behavior

- Wine inventory surplus
- Focus on market share
- Not sustainable
- Decline in value segment



**...but there is a real opportunity to create a more sustainable environment**

3

Three core attributes are required to succeed

- Efficient scale and cost structure
- Attractive brands and markets
- Stakeholder relationships (including growers)

4

Sector consolidation is logical

- Duplicate structures
- Clear synergy opportunity
- Create a more sustainable environment for all stakeholders



## Strategic Review: A number of Initiatives were identified and were considered against the core ‘success factors’

	Scale / efficiency	Premiumisation	Synergy unlock	Market & geographic positioning	Minimising debt/ access to capital
Cash sale of company	N / A				
Cost-out program	✓	✗	?	✗	✗
Monetisation of asset base	✗	✗	✗	✗	✓
Infrastructure sharing	✓	✗	✓	✗	✗
Joint ventures in new markets	✓	✗	✗	✓	✗
Premium brand acquisitions	✗	✓	✗	✓	✗
Merger	✓	✓ / ?	✓	✓	✓

# Strategic Review: In process of executing and reviewing Initiatives

Cash sale of company	<ul style="list-style-type: none"> <li>▪ AVG open to constructively exploring proposals potential to maximise shareholder value</li> <li>▪ No change of control proposals received since announcement of Strategic Review in July 2023</li> </ul>
Cost-out program	<ul style="list-style-type: none"> <li>▪ On-track to removing ~\$9 million in annualised costs, net of inflation, by FY24</li> <li>▪ Work being done to identify and remove further costs</li> <li>▪ Further high value savings under review</li> </ul>
Monetisation of asset base	<ul style="list-style-type: none"> <li>▪ Sale and leaseback of Coldridge and Grande Junction completed in December 2022</li> <li>▪ Sale of surplus Barossa Valley vineyard expected to unlock ~\$8m in value</li> <li>▪ Other asset monetisation or sale and leaseback opportunities exist but will need to make financial and strategic sense</li> </ul>
Infrastructure sharing	<ul style="list-style-type: none"> <li>▪ Increase asset utilisation by processing third party product or having AVG product processed by third party</li> <li>▪ Actively being considered but efficiency benefits to be balanced against potential strategic implications</li> </ul>
Joint ventures in new markets	<ul style="list-style-type: none"> <li>▪ AVG products complemented by established in-market third party infrastructure and distribution capabilities</li> <li>▪ Potential 'capital light' growth optionality</li> <li>▪ Number of ongoing discussions</li> </ul>
Premium brand acquisitions	<ul style="list-style-type: none"> <li>▪ Acceleration of 'premiumisation strategy'; increases exposure to higher growth markets however a slow process given current market challenges</li> <li>▪ Not in discussions but will review opportunistically</li> <li>▪ Funding and valuation key inhibitors</li> </ul>
Merger	<ul style="list-style-type: none"> <li>▪ Strategic opportunities identified; preliminary analysis suggests potential to be transformational: margins, brands, markets, scale</li> <li>▪ Opportunities under review</li> <li>▪ No guarantee that a transaction will ensue</li> </ul>





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# Strong balance sheet

\$m	1H24	1H23	% change	FY23
Cash & equivalent	9.8	6.4	53%	6.9
Receivables	61.5	59.7	(3%)	43.4
Inventories	210.5	212.6	1%	217.1
Plant & Equipment	98.5	96.0	3%	99.2
Goodwill/ intangible	45.3	45.1	-	44.9
Other	69.8	72.3	(3%)	68.8
<b>Total Assets</b>	<b>495.5</b>	<b>492.1</b>	<b>-</b>	<b>480.3</b>
Payables	39.9	42.6	6%	50.5
Borrowings	77.5	59.5	(30%)	55.0
Other	81.7	86.5	6%	73.9
<b>Total Liabilities</b>	<b>199.1</b>	<b>188.6</b>	<b>(6%)</b>	<b>189.2</b>
<b>Shareholders Equity</b>	<b>296.4</b>	<b>303.5</b>	<b>(2%)</b>	<b>291.1</b>

