



## **F20 Q3 BUSINESS UPDATE** **BRAND and BARRELS** **The Road to Whisky Riches**

Period Ending 30 March 2020

Lark Distilling Co. Limited

**IN APRIL 2020 SHAREHOLDERS APPROVED**

**\_ MODERNISED / NEW CONSTITUTION**

**\_ 30 FOR 1 SHARE CONSOLIDATION**

**\_ CHANGE OF COMPANY NAME**

**LARK DISTILLING CO. LIMITED**

**NEW ASX TICKER "LRK"**

## RECAP ON LARK SINCE WHOLESALE BOARD CHANGE IN 2019/20

### EXECUTIVE & BOARD



**David Dearie**

- ▶ Independent Non-Exec Chair
- ▶ Ex-CEO Treasury Wine Estates



**Geoff Bainbridge – Managing Director**

- ▶ 10+ Years at Fosters / Ex-MD Spirits
- ▶ Ex-Founder of Grill'd, Bounce



**Warren Randall**

- ▶ 4.4% holding in LRK
- ▶ Sole Owner of Sepplesfield



**Laurent Ly**

- ▶ 8.7% Holding in LRK
- ▶ HK Based Fund Manager



**Laura McBain**

- ▶ Ex-CEO Bellamy's Organic
- ▶ Tasmanian Based
- ▶ Appointment Effective 1 June 2020

### ASSETS & BRANDS



Bothwell Distillery



Cambridge Distillery



Lark Bar Hobart CBD



Brooke Street Pier



Exit 07/20

Exit 04/20



Lark Bond Stores



633,444 Litres

\$15m Cost

\$88m Mkt Value



## RECAP ON THE STRATEGY ANNOUNCED AT THE NOVEMBER 2019 AGM

### THE PLAN IS TO MAKE LARK THE “PENFOLDS” OF AUSTRALIAN WHISKY

- ▶ Premium Brand Position
- ▶ Embrace 28 Year Lark Heritage
- ▶ Multi-Tiered Price Point : Lark Rare Cask / Legacy, Lark Classic, Lark Symphony
- ▶ Innovation Without Compromise to Quality
- ▶ Strong Asian Consumer & Trade Appeal
- ▶ Meaningful Scale in Terms of Revenue / Capacity / Maturation
- ▶ Flexible Sourcing Model – Inhouse & Outsourced
- ▶ Focused Execution and Superior Returns

*Penfolds*



#### LARK POINT OF DIFFERENCE

- ▶ Founder Bill Lark
- ▶ First Tasmanian Whisky
- ▶ First Australian Craft Whisky
- ▶ International Award Winning
- ▶ Only Australian Peat Bog
- ▶ Biggest Volume of Tasmanian Whisky Under Maturation

“MADE of TASMANIA”



## RECAP ON THE BUSINESS MODEL / THE ECONOMICS

### Size of the Prize

- ▶ Globally Whisky Consumption 95,300,000 litres per annum or USD \$58bn
- ▶ Aust Whisky Consumption 1,768,000 litres per annum
- ▶ LRK F20 Whisky Sales 27,000 litres per annum or 1.5% of Aust Market

### The Lark Economics

- ▶ Over The 5 Year Maturation Cycle A Barrel Of Lark Increases In Value 7.5 Fold From \$1,971 to \$14,734 Per Barrel

100 Litre Barrel  
x Ingredients + Labour + Wood + 5 Yr Storage  
= \$1,971 COGS

Angel Share After 5 Years  
Offset By Dilution to 43% ABV  
= 1.06 Gain

106 Litres x \$139 NSV  
= \$14,734 per Barrel



Raw Ingredients



Labour & Utilities



Wood



Maturation With Angel Share



Finished Goods



## THE WHISKY LANDSCAPE REMAINS POSITIVE

- ▶ Globally The Whisky Category Is Hot And Will Be For The Foreseeable Future
- ▶ Growing At 4% PA and 8% PA In The Premium Space Where Lark Plays
- ▶ Driven By .....
  - > New Markets And In Particular Asia
  - > New Consumers : Women
  - > New Occasions : Highball, Cocktails
  - > New Flavors & Product Innovation



- ▶ COVID-19 Impacted On-Premise But Offset By Increase In At Home Consumption
- ▶ 70% Of Australians Admit To Drinking More Alcohol Than They Would Have Prior To The Pandemic (April 20 Foundation For Alcohol Research And Education POLL)
- ▶ Alcohol Has A Proven History Of Being Recession Proof
- ▶ Tasmania Is Considered An Emerging Producer Of Whisky On The Global Map
- ▶ Reputation Is Based On Innovation, Purity, Security And Integrity
- ▶ Lark Positioned For First Mover Advantage Due To Brand Heritage And Volume Of Liquid Under Maturation - 633,444 Litres Valued At \$15.5m<sup>1</sup> Cost and \$88m<sup>2</sup> At Market.



Source: IWSR, Industry Journals, Company Information / Interviews

<sup>1</sup> Cost Per Litre of \$24,50 includes the cost of acquisition of Nant investor barrels

<sup>2</sup> Estimated Market Value at Maturation Based on Current NSR/per Ltrs With No Inflation



## THE LARK TEN STEP STRATEGIC PLAYBOOK

1. Understand The Whisky Landscape - Domestic And Abroad
2. Clean Up The Mess / Reset The Foundations
3. Define And Articulate A Proven Strategy That Maximises Shareholder Value
4. Build Lark Into A Power Brand With Broad Appeal And Asian Relevance
5. Reboot Forty Spotted Gin To Own “Tasmanian Gin”
6. Innovate The Product(s) & Tell Meaningful Stories
7. Establish A Footprint In Key Export Markets With Proven Sell Thru
8. Build & Stockpile Inventory To Meet Future Demand (& Acquisition Criteria)
9. Execute The Operating Plan While Maximising Revenues, Manage Costs And Achieve Profit
10. Leverage Balance Sheet To Fund The Journey

### WHY .....

- \_ Market Demand For Acquisitions Of Spirits Brands Remains Strong
- \_ GLOBALLY Over 20+ Transactions In This Space Over The Past 2 Years
- \_ Premium Spirit Brands Command Multiples In Excess Of 6.0 X SALES And 19.0 X EBITDA
- \_ Because The Alcohol Acquisition Playbook Is A Proven Model



## CLEAN UP THE MESS .....

- Jun'19 New Board Installed , New Auditor (Deloitte), New Legal (Gadens)
- Jul'19 Closed Sydney HQ And Relocated To Hobart, Registered Lark and Nant International Trademarks
- Oct'19 Managing Director Appointment, New Co Sec (Leydin Freyer)
- Nov'19 Secured New Head Of Hospitality, Three Redundancies And Closed Loss Making Nant Cellar Door
- Feb'20 Finalised Nant Investor Barrel, Compulsory Acquisition Of Unmarketable Share Parcels  
Sale Of Overeem For \$962K (SEE ASX Release 19/2/20)  
Redlands Estate / Old Kempton "Inventory For Equity" Swap (SEE ASX Release 9/4/20)
- Mar'20 Appointed New Head Of Sales And Replaced Aust Distributor
- Apr'20 Appointed Liquidator To Nant Investment Scheme

### Nant Investor Barrel



### Old Kempton and Overeem

#### EXIT FROM THE PORFOLIO

#### BARRELS FOR EQUITY SWAP



#### SALE OF TRADEMARK



## RESET FOUNDATIONS .....

Aug'19	Bill Lark Returns As Brand Ambassador 2 <sup>nd</sup> Shift At Cambridge Distillery From 96,000 Ltrs To 137,000 Ltrs per annum
Oct'19	Board Approval of Company Vision and Strategic Plan re: "Lark" is Hero
Nov'19	Opened The "Lark Experience" At The Brooke Street Pier
Dec'19	Record Sales of \$1.1m Month Across All Channels – Distributor, Wholesale And Hospitality
Feb'20	Finalized The "Lark Vision, Value, Experience And Way"
Mar'20	Secured \$5m Debt Funding On Favourable Pricing & Terms
Apr'20	New Constitution, 1 For 30 Share Consolidation, New Company Name / "LRK" ASX Ticker



Lark National Adverting



Xmas Cask Sold Out in 3 Weeks



First Barrel of Project AX8



New Lark Website Sales Up 37% YOY





## F20 H1 FINANCIAL RESULTS

- ▶ Driving Top Line Revenue Up +35% and Margin Up + 44%
- ▶ Reduction In EBIT Loss To (\$694k) Which Is An Improvement of \$545k or 44% YOY
- ▶ Cash On Hand At March Was Over \$7m, Which Is Forecast to Last Over 12 Months

	H1 FY20		H1 FY19		H1 FY18		Var F20 vs. F19	
<b>Gross Sales</b>	\$	3,818,689	\$	2,818,802	\$	178,989	\$ 999,887	35%
<b>Gross Profit</b>	\$	2,126,061	\$	1,472,948	\$	99,238	\$ 653,113	44%
		55.7%		52.3%		55.4%		+ 3.4 ppt
<b>Other Income</b>	\$	137,197	\$	450	\$	-		
<b>Expenses</b>	\$	2,958,005	\$	2,713,929	\$	1,668,485	\$ 244,076	9%
<b>EBIT</b>	\$	(694,747)	\$	(1,240,531)	\$	(1,569,247)	\$ 545,784	44%
<b>Finance Costs</b>	\$	(48,574)	\$	(226,441)	\$	(388,997)		
<b>EBT</b>	\$	(743,321)	\$	(1,466,972)	\$	(1,958,244)	\$ 723,651	49%
Ordinary Shares		1,630,579,441		1,630,579,441		426,294,656		
<b>Loss Per Share</b>	\$	(0.0005)	\$	(0.0009)	\$	(0.0046)		

### RELEVANT COMMENTARY

- ▶ Strong performance from Tas w/s, mainland distributor and own hospitality outlets
- ▶ Margin improvement driven by mix and channel. Net sales up 46%.
- ▶ Material increase in A&P spend behind the Lark brand
- ▶ 49% improvement /reduction in operating loss vs. last year.

**COVID-19 and Handover to Direct Sales Has Impacted Sales Momentum And Will Be A Challenge For Balance of F20 Offset by Contribution of Job Keeper and Sanitiser.**



## IMPACT OF COVID-19 ON LARK AND SANITISER PIVOT .....

Mar'20	Closure Of Lark Hospitality, Delay Of Gin Bar Opening
Apr'20	Launch Of Lark Sanitiser (Limited Quantities Available) Board Approved \$750k Sanitiser Capex April Month Business Revenues Down 35% YOY _ Hospitality Closure & Handover to Direct Sales
May'20	Commissioned Sanitiser Column Still "Made By Tasmanians, For Tasmanians" First Job Seeker Payment \$114k (\$684k for 6 mths)
Jun'20	1,000 Ltrs per Day of Sanitiser Production for Sale

Six Weeks Ago ..... To This On 16 May 2020 .....



## WHISKY INVENTORY OF 633,444 LTRS AT COST \$15M MARKET VALUE \$88M

- ▶ We Are Presently Making Approx. 4,300 ltrs per Week @ 63.4% ABV
- ▶ Since 1 July 2019 Increase on Litres Under Maturation of 37% or 171,320 Litres (Nant Buyback Was 42,777 Ltrs)
- ▶ Over \$88m of Net Sales Value at Maturation Sitting on the Balance Sheet
- ▶ Represents The Equivalent of \$1.61 Per Share in Whisky Inventories

AWH CONSOLIDATED GROUP - LITRES OF WHISKY MATURING as at 31 March 2020 at 43% ABV				
FY Maturing	Litres of Whisky at Maturation at 43% ABV	Liquidation Value Today		Net Sales Value at Maturation Date
2020	39,605	\$	4,999,389	\$ 4,999,389
2021	47,840	\$	5,579,334	\$ 6,819,033
2022	64,271	\$	6,175,029	\$ 9,476,760
2023	83,899	\$	6,305,160	\$ 11,604,311
2024	106,760	\$	6,099,206	\$ 14,649,076
2025	123,804	\$	5,800,142	\$ 16,487,041
2026	167,265	\$	5,673,560	\$ 23,997,516
<b>Grand Total</b>	<b>633,444</b>	<b>\$</b>	<b>40,631,819</b>	<b>\$ 88,033,126</b>

<b>Inventory At Cost</b>	<b>\$</b>	<b>15,523,534</b>
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### REALISABLE VALUE AT LIQUIDATION & MATURATION CALCULATION

- ▶ Sliding scale based on age of the spirit in the barrel
- ▶ For example 6 year old and above are valued at approx. \$139 per litre (the current avg NSR per litre achieved by LRK)
- ▶ For example a 2 Year old is value at \$41 at liquidation and at \$139 per litre at maturation
- ▶ Please note the NSV applied is what LRK currently achieves before bringing the distribution inhouse
- ▶ No allowance for inflation





## WHAT IS GOING TO DRIVE THE SHARE PRICE IN F21 ?

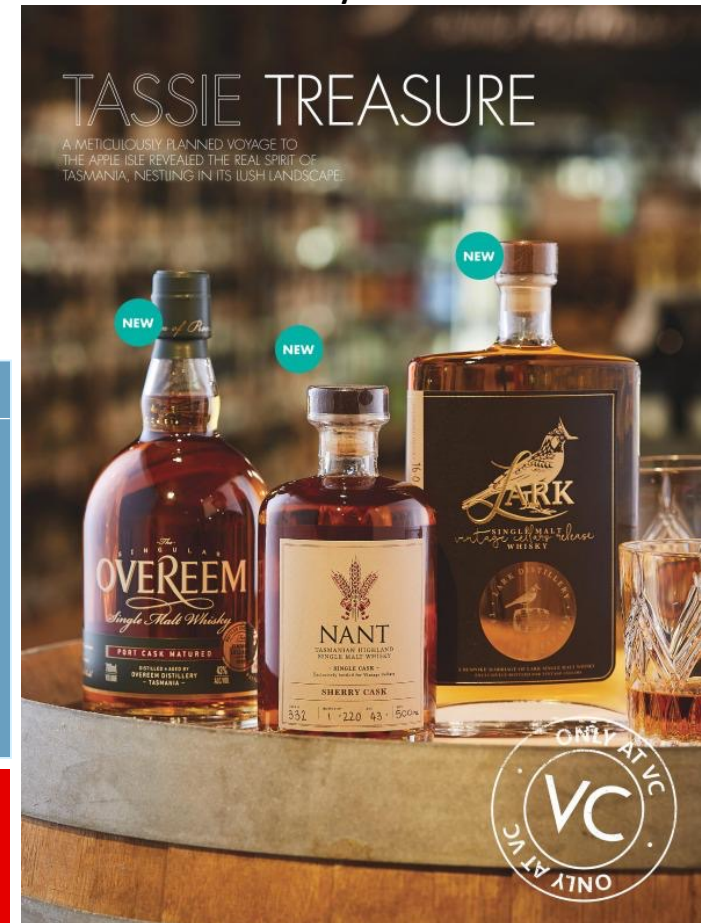
1. Direct Selling Model With Increased Points Of Distribution
2. Launch Of Lark Symphony (And Rare Cask In 2<sup>nd</sup> Half)
3. Reboot Of Forty Spotted Gin
4. Sanitiser Sales
5. Maiden Profit (EBITDA)

### DIRECT SELLING MODEL

- ▶ With Effect 1st July 2020 Lark Sales Inhouse
- ▶ Phil Henderson Appointed to The Head of Sales  
\_ EX-TWE National Sales and Hospitality
- ▶ Existing Tasmanian Team Leading Sanitiser Sales
- ▶ Recruited Hobart Based E-Commerce Manager
- ▶ Focus is Improved Ranging with Aust. Majors



All Three Brands In May 20 VC's "Cellar Press"





## F21 SHARE PRICE DRIVERS

### LARK SYMPHONY N°1 - A BRAVE NEW WHISKY FOR A BRAVE NEW WORLD

#### CUSOTMER RESPONSE & RANGING

- ▶ Launching Jul/Aug 2020
- ▶ Accessible Price, Accessible Distribution, Accessible Volumes
- ▶ \$139 Convenience / \$129 Dan Murphy
- ▶ Slightly Lower GP Until We Flush Out Old Nant Stock est. Mid 21
- ▶ Dan Murphy's Ranging In 100 Stores From July
- ▶ VC's To Launch in Their July "Cellar Press" Magazine
- ▶ BWS To Launch in Their Top 50 Whisky Doors



## F21 SHARE PRICE DRIVERS

### FORTY SPOTTED GIN SUMMER'20 REBOOT – PACK / PRICE / VARIANTS



FORTY SPOTTED





## F21 SHARE PRICE DRIVERS

### LARK SANITISER

- ▶ Aust Demand Pre-COVID Was 20m Litres Per Annum and Estimates are Up to 90m Litres Per Annum Post Lockdown
- ▶ Confirmed Expected Strong Tasmanian Demand Post-Lockdown for Businesses and Government
- ▶ Sales Structure and Personnel In Place Led By Existing Tasmanian Team
- ▶ Two Pack Formats : Medical Grade (WHO / TGA Compliant) and Consumer Friendly Gel
- ▶ Sales To Date Front Line Emergency Services, Numerous Tasmanian Government Departments and Pharmacies
- ▶ Commenced Press / Media Blitz w More to Come
- ▶ Local TV [Coverage](#) Has Been Very Supportive

#### Letter From Tasmanian Premier



#### 8 Week Press Blitz (Online & Offline)



#### April Lark Cellar Door Lineup



## BRAND AND BARRELS – “THE ROAD TO WHISKY RICHES”

**Our Vision Is To Make Lark Whisky A Globally Consumed, Recognized And Loved Tasmanian Brand Icon That Celebrates Our Connection To The Craft, The Community And Each Other.**

1. Understand The Whisky Landscape - Domestic and Abroad	✓ Completed in F20
2. Clean Up The Mess / Reset The Foundations	✓ Completed in F20
3. Define and Articulate a Proven Strategy That Maximises Shareholder Value	✓ Completed in F20
4. Build “Lark” Into a Power Brand With Broad Appeal (and Asian Relevance)	Commenced “Made of Tasmania”
5. Reboot Forty Spotted Gin To Own “Tasmanian Gin”	F21 Reboot Underway
6. Innovate The Product(s) & Tell Meaningful Stories	Commenced ie. Lark Symphony N°1
7. Establish A Footprint In Key Export Markets With Proven Sell Thru	✗ On Hold With Australia The Priority
8. Build & Stockpile Inventory to Meet Future Demand (& Acquisition Criteria)	✓ Distilling + 4,300 Ltrs Per Week
9. Execute The Plan While Maximise Revenue, Manage Costs and Achieve Profit	Expect Maiden Profit In F21
10. Leverage Balance Sheet To Fund the Journey	✓ Funding Not Required For 12 Mths

Positive HQ Business Momentum Interrupted By COVID-19 But Alcohol Performs In Tough Economic Conditions and LARK Has A Credible Strategy, Business Model, Brand and Team To Deliver The Vision.





## SUBSTANTIAL SHAREHOLDERS, CAPITAL STRUCTURE AND SHARE PRICE

### SUBSTANTIAL SHAREHOLDERS

	18-May-20	
Top 20 Shareholder : LRK	Shares	% IC
Mr Bruce W Neill (Hobart)	7,090,105	13.04
Mr Christopher H Malcolm (Melbourne)	5,405,045	9.94
Ace Cosmo Developments (Hong Kong)	4,748,374	8.74
Hillhouse Capital Mgt (Hong Kong)	3,333,333	6.13
Mr Warren Randall (Sydney)	2,389,295	4.40
Mr John Ibrahim (Sydney)	2,380,479	4.38
Mr Stuart M Grant (Greenville)	2,024,119	3.72
Mr Terry Cuthbertson (Sydney)	1,772,459	3.26
Mr & Mrs Timothy TB Lewis (Hobart)	1,544,167	2.84
Mr & Mrs Anthony K Shadforth (Hobart)	1,362,129	2.51
Mr & Mrs Mark M Murton (Hobart)	1,281,667	2.36
Mr & Mrs Ian G Griffiths (Sydney)	1,171,250	2.15
Mr Peter H Gold (Sydney)	1,166,667	2.15
Seidler Family (Sydney)	896,275	1.65
Mr & Mrs Clinton S Steele (Hobart)	852,659	1.57
Mr & Mrs Robert M Rex (Hobart)	841,667	1.55
Mr Juraj Kekeli & Ms Sonia ME Amoroso (Sydney)	768,951	1.41
Messrs Jonathan M Birch & Dan Wang (Adelaide)	765,343	1.41
Mr Geoff Bainbridge (Sydney)	388,556	0.71
123 Investment Mgt (Melbourne)	50,000	0.09
<b>TOTAL</b>	<b>40,232,539</b>	<b>74.02</b>

### CAPITAL STRUCTURE

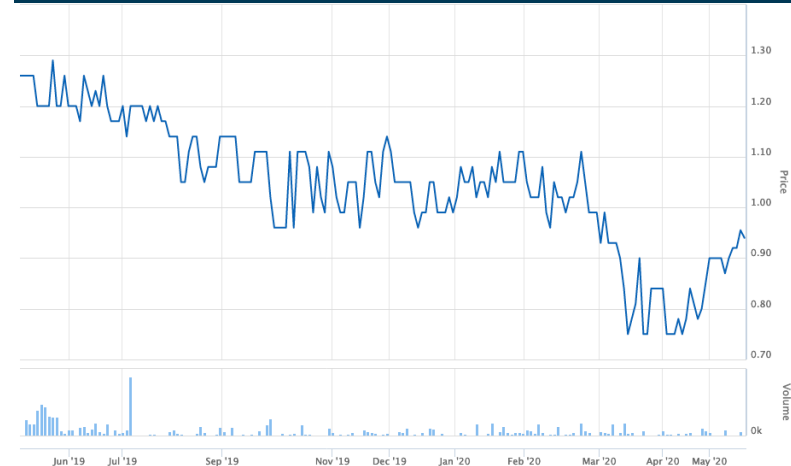
As at 18 May 2020, unless otherwise stated

Shares outstanding	54.45 m
Performance rights and options	4.23m
Cash balance, at 30 March 2020	\$ 7.1 m
Share price (\$ps)	\$ 0.92
Undiluted market capitalisation	\$ 49.900 m

52 week share price range:

...Low	\$0.75
...High	\$1.26

### 24 MONTH SHARE PRICE CHART



Q3 F20 UPDATE

**LARK**

**TASMANIA'S FIRST  
SINGLE MALT WHISKY**

- EST. 1992 -

The image shows a bottle of Lark Single Malt Whisky, labeled 'CLASSIC CASK' and '43%'. The bottle is positioned in the center, flanked by rows of wooden barrels. A glass of whisky sits to the right of the bottle. The background features a large window looking out onto a landscape under a blue sky. The bottle label also includes the text 'SMALL CASK AGED', 'TASMANIA'S FIRST SINGLE MALT WHISKY', and '2000ml'. A circular logo on the bottle reads 'LARK DISTILLERY • TASMANIA • EST. 1992'.

AVAILABLE AT LEADING RETAILERS AUSTRALIA-WIDE:  
DAN MURPHY'S, BWS, VINTAGE CELLARS AND ONLINE AT [LARKDISTILLERY.COM](http://LARKDISTILLERY.COM)

Please enjoy Lark Single Malt Whisky responsibly



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