

LARK DISTILLING CO

FY23 H1 INVESTOR BRIEFING

FEBRUARY 2023





Net sales of \$9.6 million
(-3% on pcp)

Organic Net sales growth of 18%

(when normalising for non-organic and opportunistic transactions)



Normalised EBITDA of (\$0.06) million

Statutory EBITDA of (\$1.276) million



Whisky bank of 2.2 million litres* underwriting future sales growth

*(at 43% ABV) as at 31 December 2023



Gross Margin of 68.2%

(+0.04 ppt on pcp)



Balance sheet flexibility

Cash position of \$9.1 million + undrawn bank facility of \$15.0 million



Focussed outlook

LARK's long-term strategies remain intact and new CEO commences 1 May 2023



Profit & Loss¹

A\$'000	H1 FY23	H1 FY22	%	H2 FY22	%
Net Sales	9,624	9,880	-3%	10,399	-7%
Gross Profit	6,566	6,113	7%	7,369	-11%
GP % Net Sales	68.2%	61.9%	10%	70.9%	-4%
Other Income	370	410	-10%	223	66%
<u>Operating costs</u>	<u>(6,942)</u>	<u>(5,182)</u>	<u>34%</u>	<u>(6,491)</u>	<u>7%</u>
<i>Selling and distribution</i>	<i>(1,750)</i>	<i>(1,460)</i>	<i>20%</i>	<i>(1,662)</i>	<i>5%</i>
<i>Administration expenses</i>	<i>(2,453)</i>	<i>(2,272)</i>	<i>8%</i>	<i>(2,629)</i>	<i>-7%</i>
<i>Employee benefit expense</i>	<i>(2,739)</i>	<i>(1,450)</i>	<i>89%</i>	<i>(2,200)</i>	<i>24%</i>
Operating EBITDA	(6)	1,341	-100%	1,101	-101%
<u>Non operating & one-off</u>	<u>(1,270)</u>	<u>(946)</u>	<u>34%</u>	<u>(695)</u>	<u>83%</u>
<i>Performance rights expense</i>	<i>(405)</i>	<i>(607)</i>	<i>-33%</i>	<i>(270)</i>	<i>50%</i>
<i>Obsolete Stock expense</i>	<i>(276)</i>	<i>0</i>		<i>(166)</i>	<i>66%</i>
<i>Costs relating to acquisition</i>	<i>(275)</i>	<i>(339)</i>	<i>-19%</i>	<i>(259)</i>	<i>6%</i>
<i>Other non-recurring</i>	<i>(314)</i>	<i>-</i>		<i>-</i>	
Statutory EBITDA	(1,276)	395	-423%	405	-415%

1 – Comparatives for prior periods have been adjusted to reflect re-statement as disclosed in half year report.

Profit and loss highlights

- LARK achieved \$9.6million Net Sales for H1 (-3% pcp).
- When normalising for non-organic and opportunistic transactions LARK delivered organic net sales growth of +18% for H1 FY 23 vs pcp.
- Export continued in China and commenced trading into Singapore, Thailand and Vietnam.
- Gross profit margins continue to perform strongly at 68.2% driven by changing product mix and significant improvement in LARK-owned hospitality venues in H2
- Operating costs have increased 7% vs prior period and 34% vs pcp. Increase is primarily driven by LARK's investment in people, trade marketing and brand marketing including:
 - LARK brand positioning project to drive domestic and export potential in future periods
 - Spirit of Whiskmas brand campaign driving sales performance through competitive Christmas period
 - Increased sales force delivering 28% increase in distribution points in independent retailers since 30 June 2022
 - Increase in hospitality business costs related to 2 additional hospitality venues and compared to same time last year which was Covid impacted, increasing people and associated costs
- Non operating & one-off costs include CEO recruitment fees and associated professional fees
- Obsolete stock relates to old labelling and packaging that are no longer relevant to the brands

Balance Sheet

A\$'000	31-Dec-22	30-Jun-22
Cash and cash equivalents	9,076	16,096
Trade and other receivables	2,932	4,110
Inventories	18,525	20,430
Prepaid assets	1,455	181
Total current assets	31,988	40,818
Inventories	42,948	39,741
Property, plant and equipment	15,176	15,272
Right-of-use assets	1,535	1,632
Intangibles	21,645	21,602
Deferred tax	2,854	2,525
Total non-current assets	84,158	80,772
Total assets	116,146	121,590
Trade and other payables	6,230	5,677
Financial liabilities	187	420
Employee benefits	538	449
Total current liabilities	6,956	6,546
Borrowings	-	5,000
Financial liabilities	1,399	1,256
Employee benefits	51	35
Total non-current liabilities	1,450	6,290
Total liabilities	8,406	12,836
Net assets	107,740	108,754

Balance sheet and cashflow highlights

- LARK's whisky under maturation continued to strengthen during the half to 2.2 million litres at 43% ABV as at 31 December 2022, supporting its long term growth ambition.
- LARK ended the half with a cash balance of \$9.1 million with a further \$15 million undrawn bank facility available after repaying its debt during the half
- The first tranche of the Federal Government Modern Manufacturing grant was received (\$1.8m). The balance of this has been recorded within Trade and Other Payables
- A \$0.5m signing bonus for new CEO Satya Sharma was paid during the half. This will be recorded as a prepaid asset until his commencement in May 23
- Property, Plant and equipment includes the three distilleries located in Tasmania – Bothwell, Pontville and Cambridge

Cash Flow

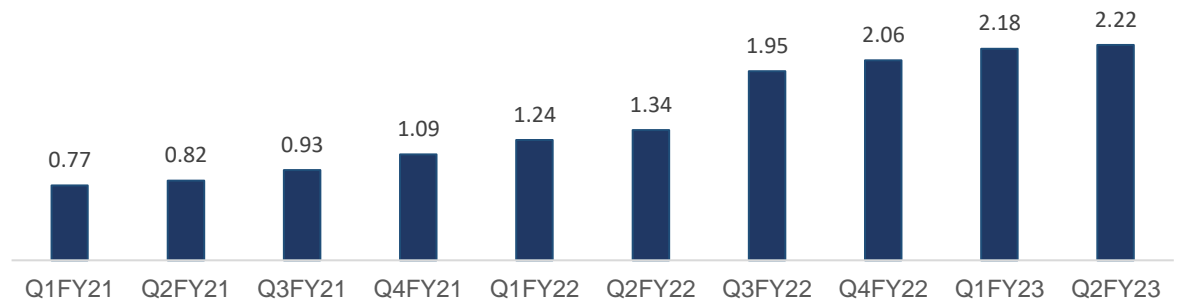
A\$'000	H1 FY23	H1 FY22	H2 FY22	% Change vs H1	% Change vs H2
Operating cash flows	(1,344)	(5,931)	(1,784)	23%	75%
Investing cash flows	(601)	(1,306)	(38,193)	46%	2%
Financing cash flows	(5,076)	55,806	(142)	-9%	3575%
Net Cash flows	(7,020)	48,570	(40,119)	-14%	17%



Strengthening whisky bank underwriting future sales growth

- LARK achieved 2.22 million litres as at 31 December 2022
- The Company maintains flexibility with respect to deployment of liquid across age bands and building an aging profile to meet market demand for aged Tasmanian whisky
- Enables Lark to deliver on planned export program over coming years
- New signature (core) range of products designed to optimise use of available whisky and maturation profile

Litres (m) of whisky under maturation (at 43% ABV)



Lark reputation continues to grow with wins across highly reputable international awards programs

BILL LARK WINS
PRESTIGIOUS LIFETIME
ACHIEVEMENT AWARD



SYMPHONY NO 1
AUSTRALIA'S BEST
BLENDED MALT – FOR
SECOND YEAR



CHINOTTO CASK
STRENGTH WINS
AUSTRALIA'S BEST
SINGLE MALT



Marketing investment to drive brand results and platform for export

27m

MEDIA CAMPAIGN IMPRESSIONS
IN DIGITAL AND OUT OF HOME

Investment into brand awareness,
attracting 57% LARK Christmas Cask
2022 Ecomm purchasers
new to brand



+1.5k

LIQUID ON LIPS MOMENTS WITH
DAVID JONES

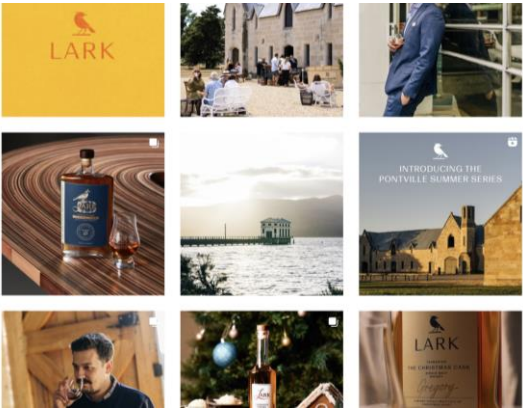
Effective trial driving activity,
sampling +1.5k consumers, rich
storytelling, converting 22% to
purchase at key gifting period



+164%

AVG SOCIAL
ENGAGEMENT RATE

+19% MOM new following to brand,
with increased community
engagement via bold and engaging
content across digital channels



100%

SELL THROUGH
IN FIRST 2 MONTHS

Consistent performance of
Whisky Bar Series, building
advocacy with Australia's
leading On Trade



Increased investment and focus, to scale Tasmania's #1 GIN

1.17m

MEDIA CAMPAIGN REACH

Over a million eyes on FSG arriving into Tasmania, via airport OOH brand advertising

+3k

LIQUID ON LIPS MOMENTS AT SUMMER GIN GARDEN

Drove trial and recruited new consumers to brand, capitalising on increased On Trade activity

+281%

INCREASED SOCIAL ENGAGEMENT

Appointed digital agency to develop social framework, increasing social engagement by +281% VS FY23Q1

+46%

DISTRIBUTION POINTS GAIN IN 12 MONTHS

Strongest gains in must win Forty Spotted Gin states; NSW, VIC



FY23 Outlook



H2 Outlook

LARK's key highlights planned for H2 include:

- Commencement of new CEO, Satya Sharma, on 1 May
- Launching the new LARK 'Signature Collection' core range
- Developing and going live with 'The LARK Side' brand campaign
- New product launches including Garage Project (currently live), Whisky Bar Series, and Dark Lark
- Continuing to grow sales organically through expanded distribution and range within Australia. Non-organic transactions in H2 FY22 included sales to a whisky subscription business and private cask collectors
- Continuing to build export potential in SEA and China



Way forward: Roadmap to full potential



Build Brand Position

- Enhanced points of distribution in Australia
- Core “Signature Collection”
- LARK brand positioning and investment
- FSG Brand positioning and investment



Accelerate results

- Expand into selected export markets and cities
- Continuous improvement across the company
- Extend innovative NPD and collaboration pipeline
- Continue winning awards



Expand to full potential

- Maintain leading position in Australia in whisky and gin
- Continued investment in sustainability credentials
- Complete redevelopment of Pontville
- Invest further in new markets/products

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