

# LARK DISTILLING CO

## FY23 INVESTOR BRIEFING

29 AUGUST 2023





## FY23 HIGHLIGHTS AND STRATEGIC PRIORITIES

Sash Sharma - CEO

## FY23 | Key Highlights



**Net sales of \$17.0 million**  
(down \$3.3m on FY22)

**Organic Net sales growth of 15%**  
(when normalising for non-organic and opportunistic transactions)



**Operating EBITDA of (\$2.0) million**

**Statutory EBITDA of (\$5.1) million**



**Whisky bank of 2.4 million litres\***  
**underwriting future sales growth**

\*(at 43% ABV) as at 30 June 2023  
(FY22: 2.1 million litres)



**Gross margin of 68.9%**  
(+240bps on FY22 of 66.5%)



**Balance sheet flexibility**

Cash position of \$7.2 million + undrawn committed bank facility of \$15 million extended to January 2025; full facility available to be drawn



**Progress of Asia export business**

LARK remains well positioned for growth; underpinned by high quality whisky bank





## Actions Taken Since Joining Brand

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- Focus on LARK “spine” of core products in order to allow future ability to scale
- Implemented a data-led approach to drive increased growth, understanding price corridors to operate in, formats to consider and geographical prioritisation
- Enhanced insights on target consumer, product architecture and communications
- 4Q23 actions taken relating to obsolete packaging to protect LARK brand



# Actions Taken Since Joining Channel, Customer & Consumer

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- Responding to more challenging trading conditions and changes in consumer behaviour post-Covid
  - While impacted, Luxury products have remained more resilient domestically and internationally
- Route-To-Consumer clarity of approach
  - Where we have a right to win
  - How we show up in these places
- Key domestic channels of focus & investment
  - NKA, wholesale
  - GTR
  - Owned hospitality venues
  - E-commerce and private clients





# Actions Taken Since Joining Operations, Finance & People

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## Operational

- Creation and introduction of operating model
- Cambridge Distillery – sole production facility from May 2023

## Financial

- Focus on capital discipline
- Building relationship with NAB
- Restructured to right size organisation

## People

- New organisational structure implemented
- Creation and adoption of Values and Purpose
- Setting of cascading KPIs to ensure alignment

A close-up photograph of a person's hands pouring Lark whisky from a bottle into a glass. The bottle is dark with a gold label that features the word 'LARK' in large letters. The glass is partially filled with the golden liquid. The background is dark and out of focus, showing a lamp and some decorative items.

# Progress with Asia Export Business

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- Appointment of Asia Sales Director - based in Singapore
- Alfred Goh – comes with significant spirits sales and marketing experience across Asia Pacific
- Commenced engagement with multiple distribution partners with positive intent shown
- Further update at Investor Day in October 2023
- MOU signed with Luen Heng for Exclusive Distribution in Malaysia, with formal distribution agreements to follow



# Global Travel Retail (GTR)

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- In 2023, LARK started its journey in GTR
- GTR acts as a shop window to engage with a highly engaged target consumer
- As Australia's Number 1 Luxury Malt Whisky – the GTR channel is important in the seeding of LARK to international consumers
- Early wins, with LARK now listed in multiple Australian International Airports
- Team active in planning activations in GTR and building 'win win' joint business plans with key retailers



# LARK's reputation continues to grow with wins across highly reputable international & domestic awards programs, cementing its position as Australia's No.1 Luxury Single Malt Whisky

LARK TASMANIAN PEATED  
Single Malt Whisky



LARK REBELLION  
Single Malt Whisky



LARK CLASSIC CASK  
Single Malt Whisky



# Awarded for quality and innovation across the LARK and Forty Spotted Gin portfolio, creating PR hype and awareness, and providing trade and consumer confidence

DARK LARK  
Single Malt Whisky



THE SPIRITS  
BUSINESS  
GLOBAL  
SPIRITS  
MASTERS  
MASTER

SYMPHONY  
Blended Malt Whisky



W<sup>23</sup>ORLD  
WHISKIES  
AWARDS  
AUSTRALIA  
BLENDED MALT  
WINNER

FORTY SPOTTED GIN  
Citrus & Pepperberry



THE SPIRITS  
BUSINESS  
GLOBAL  
GIN  
MASTERS  
MASTER 2022





## FY23 FINANCIAL HIGHLIGHTS & WHISKY BANK

### Iain Short - CFO



## Profit & Loss

	FY23	FY22	Var \$	Var %
<b>Net Sales</b>	<b>17,023</b>	<b>20,279</b>	<b>(3,255)</b>	<b>-16.1%</b>
Cost of sales	(5,297)	(6,797)	1,500	-22.1%
<b>Gross Profit</b>	<b>11,726</b>	<b>13,482</b>	<b>(1,756)</b>	<b>-13.0%</b>
Gross Profit %	68.9%	66.5%		3.6%
Other Income	383	633	(250)	-39.4%
Selling and distribution	(3,088)	(3,123)	35	-1.1%
Operating Costs	(11,036)	(8,550)	(2,486)	29.1%
<i>Administration expenses</i>	<i>(5,196)</i>	<i>(4,901)</i>	<i>(295)</i>	<i>6.0%</i>
<i>Employee benefit expense</i>	<i>(5,840)</i>	<i>(3,650)</i>	<i>(2,190)</i>	<i>60.0%</i>
<b>Operating EBITDA</b>	<b>(2,014)</b>	<b>2,442</b>	<b>(4,456)</b>	<b>-182.5%</b>
Share based payments	(793)	(876)	83	-9.5%
One-off Costs	(2,285)	(765)	(1,520)	198.6%
<i>Costs relating to acquisition</i>	<i>(347)</i>	<i>(599)</i>	<i>252</i>	<i>-42.1%</i>
<i>Obsolete Stock expense</i>	<i>(891)</i>	<i>(166)</i>	<i>(724)</i>	<i>435.1%</i>
<i>Recruitment &amp; Restructuring</i>	<i>(733)</i>	<i>0</i>	<i>(733)</i>	<i>NM</i>
<i>Other one offs</i>	<i>(314)</i>	<i>0</i>	<i>(314)</i>	<i>NM</i>
<b>Statutory EBITDA</b>	<b>(5,092)</b>	<b>800</b>	<b>(5,893)</b>	<b>NM</b>

## Profit & Loss Highlights

- Reported Net Sales of \$17.0 million were down \$3.3m or -16% vs FY22
- When normalising for non-organic and opportunistic transactions LARK delivered organic net sales growth of +15% in FY23
- Gross profit margins continue to perform strongly at 68.9%. Driven by an increase in with Net Sales Value per Litre to \$280, though anticipated to reduce as International business grows.
- Marketing investment maintained to support long term Brand Equity
- Other operating costs increased 29% vs FY22 through:
  - Annualization of domestic sales team costs / upweighted marketing team
  - Full year of two hospitality venues opened during FY22
- Q423 included \$0.6m of one-off obsolescence costs relating to non-whisky products and \$0.8m of one-off costs relating to recruitment and restructuring costs
- Operating EBITDA was a loss of \$2m, down from \$2.4m in FY22

# Balance Sheet & Cashflow Highlights

## Balance Sheet

A\$'000	FY23	FY22	vs LY \$
Cash and cash equivalents	7,160	16,096	(8,937)
Trade and other receivables	1,995	4,110	(2,115)
Inventories	15,993	20,430	(4,437)
Prepaid assets	117	181	(64)
<b>Total current assets</b>	<b>25,265</b>	<b>40,818</b>	<b>(15,553)</b>
Inventories	45,917	39,741	6,175
Property, plant and equipment	15,201	15,272	(71)
Right-of-use assets	4,522	1,632	2,890
Intangibles	21,239	21,602	(364)
Deferred tax	3,994	2,525	1,469
<b>Total non-current assets</b>	<b>90,873</b>	<b>80,772</b>	<b>10,101</b>
<b>Total assets</b>	<b>116,138</b>	<b>121,590</b>	<b>(5,452)</b>
Trade and other payables	2,677	5,677	(3,000)
Financial liabilities	370	420	(50)
Employee benefits	463	449	15
Deferred government grants	3,675	0	3,675
<b>Total current liabilities</b>	<b>7,185</b>	<b>6,546</b>	<b>639</b>
Borrowings	0	5,000	(5,000)
Financial liabilities	4,216	1,256	2,961
Employee benefits	60	35	25
<b>Total non-current liabilities</b>	<b>4,276</b>	<b>6,290</b>	<b>(2,014)</b>
<b>Total liabilities</b>	<b>11,461</b>	<b>12,836</b>	<b>(1,375)</b>
<b>Net assets</b>	<b>104,677</b>	<b>108,754</b>	<b>(4,077)</b>

- LARK ended FY23 with a cash balance of \$7.2 million with a further \$15 million undrawn committed bank facility; full facility available to be drawn
- Total inventory at cost of \$61.9m (+3% YOY):
  - Growth in inventory under maturation through investment in Whisky Bank, offset by:
  - Reduction in Current Inventories through reduction in Finished Goods as prior years limited releases were sold through in 1H23
- Debtors tightly managed, with reduction YOY driven by opportunistic sales in Q4FY22
- \$3.7 million of Government Manufacturing & Tourism grants received during the year
- Completion of Pontville acquisition was made during 1H23, with the \$1.1 million outstanding balance paid. Remaining variance on Trade & Other Payables driven by timing of payments.

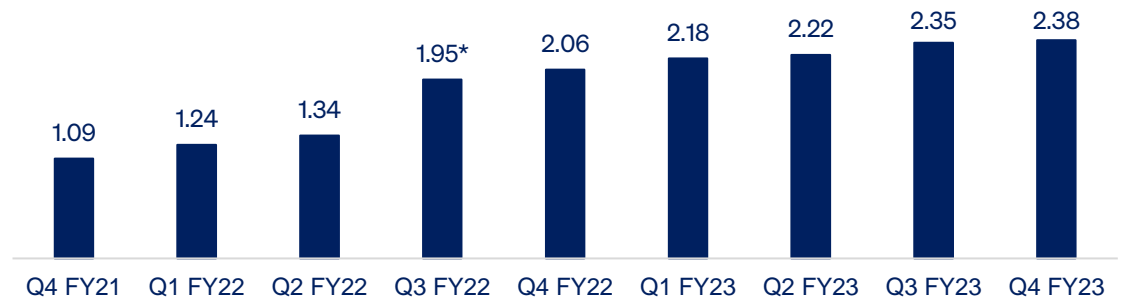
## Cash Flow

A\$'000	FY23	FY22	vs LY \$
Operating cash flows	(5,452)	(7,715)	2,264
Investing cash flows	1,750	(39,498)	41,249
Financing cash flows	(5,235)	55,664	(60,900)
<b>Net Cash flows</b>	<b>(8,937)</b>	<b>8,451</b>	<b>(17,387)</b>



# High Quality Whisky Bank – Underwriting Future Sales Growth

- LARK's whisky under maturation increased to 2.4 million litres at 43% ABV at 30 June 2023 (FY22: 2.1m litres), supporting long term growth plans
- Continued Whisky Bank alignment to long-term future portfolio requirements
- Existing Whisky Bank allows us to optimise production in the short to medium term, whilst balancing our working capital requirements
- Future Pontville capacity will allow expanded, more efficient, production to support long-term requirements
- In preparation for Pontville development, Cambridge Distillery as sole distilling facility from May 2023, providing liquid continuity for core Signature range



\* Q3 FY22 included 0.5m Litre increase through Pontville acquisition



# Perspectives for FY24





# LARK DISTILLING CO

## INVESTOR DAY - HOBART

SAVE THE DATE: 17 OCTOBER 2023





# Perspectives for FY24

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- Focus on international expansion for LARK will diversify the business and provide a platform for growth aiming to offset subdued consumer confidence
- Focus on 'spine' core range with clear purpose for limited releases
- 1H24 will cycle limited releases sold through in 1H23 left over from previous years of ~\$2m Net Sales, with ~70% of this being in 1Q23.
- Targeting growth from international market seeding from 2H24, with dedicated Asia resource, distributor onboarding and engagement
- Increased investment in A&P to support the launch of Asia export business and build equity
- Capital discipline and tight rein on other costs of doing business
- Provide strategic roadmap, priorities and scorecard at Investor Day in October 2023





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# LARK

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