

## FY24 Results

### Strategic Partnership with Seppeltsfield Wines & Equity Raise allows for accelerated investment in brands in key markets & in Lark Facilities

Lark Distilling Co. Ltd (ASX: LRK) (“LARK” or the “Company”) is pleased to provide a business update to accompany the full year ended 30 June 2024 (FY24) Results.

#### Strategic Partnership & Equity Raise - announced on 29 July 2024:

- Strategic Partnership with Seppeltsfield Wines to secure access to, and exclusivity over premium oak barrels for Lark, providing certainty over Lark’s future maturation requirements.
- Equity Raising of ~\$25 million<sup>1</sup>, comprising ~\$15 million conditional placement, ~\$6.5 million institutional placement and an upsized share purchase plan of ~\$3.5 million.
- Strong demand for Lark Share Purchase Plan, almost five times oversubscribed, leads to an upsizing, from ~\$1 million to ~\$3.5 million.
- Conditional Placement subject to shareholder approval at EGM on 30<sup>th</sup> August 2024.

#### FY24 Operating & Financial Highlights:

- Net Sales revenue of \$14.0 million, down \$3.1 million vs FY23. The lower sales were in line with previous guidance, with Q4 impacted by the known slowdown in the Chinese Indirect Export channel, soft trading conditions in domestic B2B market, and Lark hospitality venues, partially offset by stronger Direct Export, Global Travel Retail and Ecommerce channel performance.
  - Good progress made in growing our new sustainable direct Export Business via in-market distributors, with initial shipments delivering Net Sales of \$0.9m, all in H2, to new Asian markets under Distribution Agreements.
  - Lark’s nascent Global Travel Retail presence continues to grow in key Australian airports, with Net Sales of \$1.1 million for FY24.
  - Lark’s Ecommerce channel saw strong growth in the fourth quarter through channel exclusive Single Cask Program as well as strong Dark Lark sales, with the channel returning to growth on a full year basis. Personalised Classic Cask via the Ecommerce channel continued to perform strongly, contributing to Core Lark Single Malt Signature collection net sales growth of 11% in domestic channels for FY24, despite ongoing soft trading conditions.
- Australia’s leading independent spirits distributor, Spirits Platform, appointed as Lark’s domestic Distribution Partner – commencing 1 August 2024.
- Continued focus on cash and capital discipline delivered an improvement in full year operating cashflows of \$1.2 million vs FY23.
- Whisky Bank of 2.5 million litres at 30 June 2024 provides flexibility in the stock model to support future growth (30 June 2023: 2.4 million litres).
- Cash balance of \$2.4 million at 30 June 2024, with \$15 million undrawn committed bank facility available to January 2028. Post recent equity raising, pro-forma 30 June 2024 cash balance of ~\$27 million.

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<sup>1</sup> Announced as ~\$22.5m on 29th July 2024 based on estimated SPP size, with increase following upsized SPP to ~\$3.5m

**Lark CEO Sash Sharma added:**

*"We closed FY24 with good momentum, achieving a number of important milestones for both our domestic and export businesses.*

*Operationally our FY24 sales of \$14.0 million were in-line with our market update from 12 June 2024. Our direct export sales to new markets for FY24, all in H2, were \$0.9 million, with those sales offsetting more than half the shortfall in Chinese Indirect Export Channel of \$1.6 million from H2FY23.*

*Additionally, for our direct export business, stock has now cleared customs in all four new markets, with a planned re-order from Indonesia shipped in Q1FY25. Launch events have now taken place in Singapore and Indonesia in Q1FY25, where the focus is to build awareness both with trade and consumers as well as develop distribution. The performance of our GTR business was another highlight for FY24, achieving sales of \$1.1 million. Within our GTR business, Lark Classic Cask is now the exclusive Australian Single Malt Whisky served on Qantas First Class Flights and in First Class Lounges, a great win for the Team, and the start of an exciting partnership with Qantas.*

*Domestically, on 1 August we transitioned to our new domestic Distribution Partner, Spirits Platform, for the Australian B2B channels. I am pleased to confirm that the handover to the Spirits Platform team worked seamlessly, and we are very excited about the increased coverage in the wholesale and independents channel that this Partnership will provide, solidifying Lark's leadership position as Australia's No.1 Luxury Single Malt.*

*In line with our strategic priority to build long term brand value, work has commenced on our Brand & Portfolio restage, we have appointed LOVE, a highly credentialed global creative agency, experienced in the Luxury alcohol space. This exciting workstream will support our global expansion ambitions, positioning Tasmania as the epicentre of new world whisky, with Lark as the differentiated leader. Critically, our recent equity raise will allow for upweighted brand investment in new markets to drive awareness and depletions, with accelerated investment and growth behind the restaged brand.*

*Finally, as we consider our stable of assets, we will migrate away from Cambridge as our primary production facility as we set ourselves for the next stage of our growth; underpinned by the recent equity raise, we will transition distilling operations to an upgraded Pontville, with this site as the long-term home of Lark being reflective of the brand's luxury credentials. This measured, modular approach towards our Distilling Assets means that our Bothwell Distillery is surplus to our requirements, with a sales and marketing campaign to support its divestment planned to commence in Spring.*

*This transition will see focus, efficiency, effectiveness and collaboration – everything under one roof in time, and a site fitting for a future global whisky icon."*

**FY24 Financial Performance:**

Profit and Loss Highlights

Reported Net Sales of \$14.0 million were down \$3.1 million or -18% vs FY23, reflecting the foreseen impacts of the slowdown of the Chinese Indirect Export (\$2.3 million) and sales of old one-off releases in other channels of (\$1.2 million) in FY23 comparatives, as well as softer trading conditions in Domestic B2B and hospitality. These unfavourable impacts were partially offset by positive performance in Direct Export, GTR and Ecommerce.

Gross profit margins remained strong at 67.8%, down from 68.9%, with Net Sales per Litre reducing from \$280 to \$255 primarily through channel mix with lower contribution from hospitality venues. Lower Gross Margins are expected from FY25 for Domestic Australia B2B, to be offset by lower overheads, following change in route-to-market model through transition to Spirits Platform on 1 August 2024.

Direct exports under Distribution Agreements commenced in H2 with initial shipments to new launch markets of Singapore, Indonesia, Malaysia & Philippines, delivering Net Sales of \$0.9 million. Lark's Global Travel Retail presence continues to grow in key Australian airports, with Net Sales of \$1.1 million for FY24.

Marketing investment (Selling & Distribution expense) as a percent of net sales increased from 18% to 21% YOY as LARK continued to build long term brand equity to support both domestic sales and provide a strong platform for international market expansion. The increase in marketing investment, or A&P, reflects a marketing plan aligned with direct export sales with tailored brand activity to drive depletions and brand awareness. Additionally, advertising and market costs reflect domestic spend against core range and DARK LARK, and work starting on the portfolio restage to drive future scalability of the brand in both Australia and Export markets.

The change in domestic B2B sales model to Distributor led (Spirits Platform) from 1 August 2024, resulted in a non-recurring \$0.2 million restructuring provision in FY24.

#### Balance Sheet Highlights

Lark ended FY24 with a cash balance of \$2.4 million with a further \$15 million undrawn committed bank facility; full facility available to be drawn and now extended to January 2028. Following the Equity raise announced in July 24, Lark expects pro-forma 30 June 2024 cash balance of ~\$27 million.

Total inventory at cost of \$64.1 million, up \$2.2 million or 3.6% versus June 23, providing strong asset backing, and underpinning future growth. Maturing Inventory in Barrel at cost of \$57.7 million, +3.8% vs. June 23.

Property, plant and equipment of \$15.6 million includes assets across 3 production sites.

The reduction in Right of Use Assets and Financial Liabilities reflects cancellation of a Bond Store Lease, subsequently replaced by new lease in FY24. The increase in Deferred government grants of \$0.3 million relates to payment under Tourism Innovation Grant to enhance visitor experience at Pontville site.

Lark remains debt free, with a \$15 million committed bank facility with NAB in place to January 2028 available and undrawn.

#### Cashflow Highlights

A continued disciplined focus on cash & capital discipline sees improvement in net cashflows from Operating Activities year on year. This reflects the reduction in product manufacturing and operations and includes the ongoing benefit of consolidating distilling production to one site.

For FY24, Operating Cashflows reflects lower receipts from customers (-\$5.0 million vs FY23) primarily due to the foreseen lower limited release and indirect export sales, more than offset by:

- One-off staff, administration and corporate costs in FY23 comparatives (+\$1.2 million), and
- Savings in other operating and production cashflows (+\$5.0 million vs. FY23) through renewed focus on cost control and exercising capital discipline on distilling production levels.

Investing Cashflows include a \$0.3 million Tasmanian Tourism Government Innovation Grant for Pontville, received in Q4FY24.

## **FY25 Perspectives:**

### Build Long Term Brand Value

- Portfolio & positioning development through restage to be launched by the end of FY25
- Increased investment in A&P in short term to >30% to support Asian Export growth and build brand awareness in all markets
- Enhancements to Lark's cellar door offering in Hobart

### International Sales Momentum & Domestic Leadership Position

- Trading conditions remain challenging – consumers remain cautious
- Net Sales growth projected in FY25 despite P&L shift from domestic distribution change, with Spirits Platform providing platform to grow in time. FY25 growth weighted to H2 including expansion through Export, GTR, DTC & Whisky Club.
- Export focussed on driving awareness and depletions in newly launched markets, while readying further market expansion for post brand restage

### Cash & Capital Discipline

- Modest development of our Pontville site as we transition this site to being Lark's long-term home
- Bothwell – agent appointed to explore divestment, anticipate marketing in Spring 2024
- Continued capital discipline utilising proceeds from equity raising. Accelerated marketing to impact operating cashflows before moving to positive during FY27

## **About Lark Distilling Co:**

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed distillery in 154 years. LARK, Australia's No.1 Luxury Single Malt Whisky brand houses a range of spirits headlined by its Single Malt Signature Collection; Classic Cask 43% ABV, Chinotto Citrus Cask 44% ABV, and Tasmanian Peated 46% ABV, with coveted pinnacle expressions released through The Rare & Remarkable Collection. Symphony No.1 40.2% ABV is a unique blended-malt whisky, while the distillery also handcrafts a range of award winning Forty Spotted Gins, with native Tasmanian pepper berry, citrus and juniper, a refreshing take on gin, from the bottom of the world.

LARK is locally and internationally recognised for its quality, innovation, and people; awarded numerous prestigious accolades over the past three decades. Most recently at the World Whiskies Awards held in London in March 2024, LARK was crowned Australia's Best Single Malt for its Fresh IPA Cask, as well Australia's Best Blended Malt with Symphony No.1, for the third consecutive year.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", DARK LARK was crowned "Single Malt of the Year", Bill Lark was named "Personality of the Year", and Master Distiller Chris Thomson was named "Distiller of the Year". LARK also received the acclaimed Master Medal, in the 2023 World Whisky Masters for its innovative Chinotto II Cask Strength Single Malt, alongside a further seven gold medals across the portfolio.

LARK can be enjoyed at the iconic Hobart Cellar Door, at the neighbouring Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. The immersive LARK Distillery Tour set at the historic Pontville Distillery is the brand's ultimate adventure into distilling, available seven days. LARK Distilling Co, a fabric of our community, is crafted from grain to glass, using the purest natural elements from Tasmania. Welcome to the New World of Whisky.

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This announcement has been approved for release by the Board of Directors.