

14 October 2020

ASX Announcement

WINEDEPOT increases customer base by over 150% through strategic acquisition of Wine Delivery Australia

HIGHLIGHTS:

- **DW8** signs binding agreement to acquire 100% of **Wine Delivery Australia Pty Ltd**
- **James Munn**, founder of Wine Delivery Australia to join **WINEDEPOT** executive team
- Acquisition benefits for **WINEDEPOT** include:
 - Customer database increased by 186 wineries
 - Smart logistics proposition enhanced by adding a *cellar door-to-door* offering
 - Combined volumes expected to create synergies and reduce operating costs
 - Significant lift in brands and products for Direct-to-Trade Marketplace
- In light of the timing of the Wine Delivery Australia acquisition, the Digital Wine Board has decided to push back the launch of **WINEDEPOT's** Direct-to-Trade Marketplace until March 2021. The key driver of this decision is to allow sufficient time for WDA and its customers to be properly integrated after the transaction completes.

Digital Wine Ventures Limited ("**Digital Wine**" or "**the Company**") is pleased to announce that it has entered into an agreement to acquire 100% of the issued capital of Wine Delivery Australia Pty Ltd (**WDA** or **Wine Delivery Australia**), a South Australian based fourth-party logistics provider (4PL) servicing the wine industry (**Acquisition**).

As part of the Acquisition, Mr James Munn, founder and General Manager of Wine Delivery Australia, will be joining the **WINEDEPOT** executive team as Head of Business Development (Logistics).

Wine Delivery Australia

Wine Delivery Australia is an Adelaide based company that provides a 4PL wine logistics service to South Australian wineries that allows them to dispatch orders directly to customers from their cellar doors, more economically than through the mainstream carriers.

The key difference with WDA's model to **WINEDEPOT's** is that it involves collecting freight from winery cellar doors, consolidating it at a regional level, then transporting it to capital cities where it is cross docked and routed to final mile couriers who deliver the orders to the end consumers.

This is slightly different to **WINEDEPOT's** model, which includes a warehousing solution that allows producers to hold inventory in depots in key markets, outsource the pick and pack function and leverage the metro locations to fulfill same and next day deliveries.

WDA also offers an intra and interstate pallet transport solution for regional wineries, which again leverages the economies of regionally consolidated freight volumes.

While currently only operating in South Australia, with the support of the **WINEDEPOT**, it is intended that WDA will expand its *cellar door-to-door* model into other Australian wine regions as part of **WINEDEPOT**'s broader smart logistics solution. Similar to **WINEDEPOT**, WDA has experienced compounding growth due to a combination of new customers and additional order volumes considered to be a by-product of restrictions imposed in response to the COVID-19 pandemic.

WDA generated approximately \$1.5 million revenue in FY 2020, up 60% on prior year, and produced a net profit of \$110k in FY 2020 (all numbers unaudited).

About James Munn

Mr Munn is a highly experienced supply chain professional, with over two decades of experience in the warehousing and logistics sector. Prior to founding Wine Delivery Australia James spent five years working for Collaborators Pty Ltd, a corporate management and business advisory service, where he offered clients specialist logistics advice. Before that he spent 14 years as the Managing Director of Restore (Eastcoast) Pty Ltd, a company that offered businesses access to an end-to-end logistics solution for their Point of Sale (POS) merchandise, collateral, and technology systems.

Mr Munn stated he is excited about the opportunity to be part of the team creating a platform that has the potential to release so much value and efficiency within the existing wine supply chain.

"Over the last few years, almost every Australian winery has recognized how important direct-to-consumer sales are to the long-term viability of their businesses. However much of the additional margin generated from this sales channel is eroded by the high freight costs incurred shipping out of regional areas.

Being located in remote and regional areas, many wineries are simply not serviced by the major freight carriers. For them to dispatch customer's orders from the cellar door often requires them to travel to the nearest major township and lodge it at a Post Office or couriers depot. As a result, they end up wasting a lot of time on top of paying high shipping costs for a delivery that often takes 5-10 days to get to the customer.

***Wine Delivery Australia** set out to solve this problem, by providing wineries access to a delivery service that leverages everyone's combined volumes to improve service levels and reduce freight costs. In just over three years we have come a long way.*

*By combining forces with **WINEDEPOT** I am confident that we have a fulfillment solution capable of servicing every winery in the country. I am genuinely excited to be part of the team creating a platform that has the potential to release so much value back to the wine producers, who are at the very heart of the wine supply chain."*

Dean Taylor, Digital Wine Ventures Limited CEO:

"We are really excited to work with James and acquire the unique business that he has built.

His track record is impressive and his success in finding unique solutions that generate efficiencies within the supply chain will add another level to the talent we have already accumulated within our Operations team.

*The acquisition of **Wine Delivery Australia** perfectly compliments our **WINEDEPOT** business and greatly enhances its customer value proposition by providing a mechanism to fulfil consumer and trade orders from inventory held at the wineries.*

The combination of our respective freight volumes will also generate economies of scale that can be leveraged to reduce costs for both our business and our customers. However, what made this transaction especially attractive for DW8 was that it provided relationships with an additional 180 wineries, allowing them to engage in our Direct-to-Trade Marketplace, when it goes live early next year.

This together with our current organic customer growth rate should allow us to launch our ‘paddock-to-plate’ inspired B2B Marketplace with substantially more brands and products than the largest three distributors in the country combined. For the first time ever, trade buyers will be able to purchase by the bottle from hundreds of wine and beverage producers all via one order, one invoice, one payment and one delivery. This proposition will be very attractive to most trade buyers in a post-COVID 19 world.

*While this is a relatively small acquisition, I expect the synergies, value proposition improvements and customer relationships will generate a lot of value for DW8 shareholders in due course. It also shows the potential for us to accelerate the development of the **WINEDEPOT** business through carefully selected strategic acquisitions. All in all, it gets us one step closer to achieving our vision of revolutionizing the global wine supply chain.”*

Material Terms

The \$2.4 million total consideration for the Acquisition will be satisfied by \$600,000 cash and the issue of 40,660,807 fully paid ordinary shares in DW8 (**Shares**) at a deemed issue price of \$0.04426 each (**Consideration Shares**). The share price used for the Consideration Shares is equal to the 30 day VWAP upon the date the Non-Binding Term Sheet for the Acquisition was signed by the parties.

The remaining conditions precedent of the Acquisition are:

- the completion of financial, legal and technical due diligence by Digital Wine on WDA’s business and operations, to its satisfaction; and
- the receipt of shareholder approval for the issue of the Consideration Shares and Performance Rights (as defined below).

WINEDEPOT will employ James Munn as Head of Business Development (Logistics). The Key Terms of his Executive Employment Agreement are as follows:

- Base Salary of \$175,000 exclusive of superannuation
- Three-month notice period for termination by either party
- Short term incentives at the Company’s discretion

As part of his engagement and subject to shareholder approval, DW8 will issue him with 25,000,000 performance rights (**Performance Rights**). The proposed key terms and conditions of the Performance Rights are as follows:

Class	A	B
Number	12,500,000	12,500,000
Vesting Condition	Both of the following conditions being satisfied: <ul style="list-style-type: none"> the WDA business generating at least \$2.5 million of revenue in the 2021 calendar year; and the WDA Business Model being expanded into at least a second Australian state. 	Both of the following conditions being satisfied: <ul style="list-style-type: none"> the Company generating at least \$5 million of revenue in the 2022 calendar year; and the WDA Business Model being expanded into at least a third Australian state.
Expiry Date	31 December 2021	31 December 2022

The 13,723,022 Consideration Shares issued to Mr James Munn will be subject to a voluntary escrow period of two years, with his shares being released as follows:

6 months after completion	3,430,756 shares released
12 months after completion	3,430,756 shares released
18 months after completion	3,430,755 shares released
24 months after completion	3,430,755 shares released

WINEDEPOT Direct-to-Trade Marketplace launch deferred to Q1 2021

In light of the timing of the Wine Delivery Australia acquisition, the Company board has decided to push back the launch of **WINEDEPOT's** Direct-to-Trade Marketplace until March 2021. The key driver of this decision is to allow sufficient time for WDA and its 186 customers to be properly integrated into the business, after the transaction is approved at the AGM in November.

Digital Wines CEO Dean Taylor explains, *"To launch a marketplace successfully, you need to have sufficient supply, demand and ideally both. History also shows that if an online user's first experience is disappointing then they are unlikely to come back."*

"To date our focus has been mostly on the supply side, leveraging our smart logistics solution to acquire an initial body of brands and products to populate our Marketplace. Our aim has been to build an exciting and deep catalogue of wines and craft beverages that can be procured via one order, one invoice, one payment and one delivery. In that regard, we have come along way with a significant body of brands already using our platform and many others signed up ready to take advantage of the Marketplace when it goes live."

"The WDA acquisition provides us with a unique opportunity to add another 186 brands and thousands of interesting and sought-after products to our Marketplace. This brings the total number of brands in our customer portfolio to over 300. Allowing for additional growth between now and March, we should be able to launch with substantially more brands and products than is currently available from the largest three distributors in the country combined."

“Separate to this, the majority of Melbourne’s hospitality venues are still in lock down due to COVID-19. Given it’s one of the largest markets in the country for fine wine and craft beverages, it would be a shame to launch at a time when we are unable to service that market.”

*“Last but not least, we are also just weeks away from what experts are forecasting will be the busiest period in Australian history for online order deliveries. We expect significant volumes of orders being shipped by both **WINEDEPOT** and WDA. Given logistics is one of the pillars of our value proposition it is important that we apply the resources required to maintain a high service level over this period.”*

“Given all of this, the Board firmly believes that we would be much focusing our efforts on taking advantage of the extra volumes going through our smart logistics solution and launching the Marketplace early next year when we can truly take advantage of the significant investment we have to date in developing our unique platform.”

END

This ASX announcement was approved and authorised for release by the Board of Directors.

WINEDEPOT overview

WINEDEPOT is a cloud-based SaaS technology platform that empowers direct-to-market sales. It provides users value by removing layers of inefficiency in the supply chain.

The platform consists of three key components:

- **Direct-to-Trade Marketplace** (to be launched in March 2021)
- **Order Management System**
- **Smart Logistics Solution**

Key benefits for users include:

SUPPLIERS

Increased Customer Reach
Improved Profit Margins
Quicker & Guaranteed Payments
Reduced Costs and Admin
Reduced Shipping Times
Incremental Sales

TRADE BUYERS

Single Account Application
Single Streamlined Order
Single Invoice & Single Delivery
Flexible Payment & Credit Options
Broad Product Range
Early Payment Discounts

Revenue is generated from:

- **Trading Fees** (% of the overall transaction)
- **Fulfillment Fees** (storage, picking, packing, handling & freight)
- **Subscription Fees** (platform access fees based on number of users and products)

WINEDEPOT plans to consolidate its presence in Australia and New Zealand before expanding the platform into other key wine markets such as China, USA, UK, Canada, Hong Kong and Singapore.

Digital Wine Ventures overview

Digital Wine Ventures (ASX DW8) is an Australian Publicly listed company that aims to identify and invest in early stage technology-driven ventures that have the potential to disrupt and digitally transform segments within the global beverage market and support them by providing access to capital, expertise and shared services. **WINEDEPOT** is DW8's cornerstone investment.

Digital Wine Ventures has recently launched a blog to keep investors abreast of the latest developments and promote discounts and special offers available to investors. For more details visit www.digitalwine.ventures/blog

To view our most recent media coverage please visit:

- <https://www.digitalwine.ventures/media-coverage.php>
- <https://winedepot.com/media-coverage/>

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