

19 July 2021

ASX Announcement

## **WINEDEPOT bolsters capability, key metrics, revenue and competitive moat through strategic acquisition of specialist wine distribution business.**

### **HIGHLIGHTS:**

- **DW8** signs binding agreement to acquire 100% of **Parton Wine Group ("Acquisition")**
- The consideration for the Acquisition is performance based via an Earn Out paid in DW8 shares
- Acquisition expected to provide significant lift across **WINEDEPOT's** key performance metrics<sup>1</sup>:
  - Total number of cases shipped expected to increase 220% to circa 87,000 per month
  - Total order volume expected to increase over 150% to almost circa 30,000 per month
  - Number of unique suppliers expected to increase by 60% to 600
- Acquisition supports **WINEDEPOT MARKET & DIRECT** growth strategies by providing access to:
  - Hundreds of new brands representing thousands of products
  - Approx. \$200m of customer inventory held on consignment within Parton sites
  - Dedicated fleet of over 30 delivery vehicles servicing Sydney, Melbourne and Perth metro areas
  - 23,000 sqm of warehousing, including climate control, cold chain and bonded storage
- Other financial benefits of Acquisition include:
  - Reduces time & capital required for existing logistics business to become profitable
  - Revenue upside expected from cross selling products & services to existing customers
  - Releases synergies & improves margins
- **WINEDEPOT** key Acquisition drivers include:
  - Improves value proposition & expands the addressable market
  - Reduces reliance on 3<sup>rd</sup> party networks, improving service levels
  - Helps position **WINEDEPOT** as market leader in 3PL wine logistics
  - Provides the scale & capability to win key accounts
  - Enhances competitive moat
- **DW8** has successfully received commitments for **\$7,500,000 via a share placement** with the use of funds to fund the acquisition of Parton and support growth strategy.

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 **Parton Wine Group ("PWG")**.

Established in 2007 PWG has grown organically over the last 14 years to become one of Australia's largest specialist wine and beverage logistics providers. With operations in Sydney, Melbourne and Perth, PWG has developed a loyal customer base of over 200 unique suppliers by providing a personalised and friendly service catering specifically for the wine and beverage industry.

<sup>1</sup> For further information refer to the Investor Presentation dated 19 July 2021.

As part of the Acquisition PWG Founder, Richard Raddon, will join the **WINEDEPOT**'s senior executive team as General Manager of the logistics division, assisting in the post-merger integration of his business. A highly experienced supply chain professional, he has almost four decades of experience within the wine warehousing and logistics sector including 21 years working as a Warehouse and Distribution Manager for Southcorp Wines (now Treasury Wine Estates). Richard also worked as a Business Manager at TOLL Logistics, helping them to develop specialist capability within the wine and beverage sector.

Mr Raddon's son David, with 25 years of hands-on logistics and operational experience, will also join the **WINEDEPOT** team as National Operations Manager.

Richard has stated that he and his son David are excited about the opportunity to roll Parton Wine Group into **WINEDEPOT** and become part of the vision to create a revolutionary platform that releases value and efficiency within the wine supply and distribution chain.

**Dean Taylor, Digital Wine Ventures Limited CEO:**

*"We are really excited to work with Richard and become the custodians of the business that he and his son David have spent many years building. Their track records are impressive, and their extensive experience within the wine industry stacked together with almost 100 knowledgeable, experienced and dedicated staff provides a significant boost to our operational capability."*

He also believes the acquisition of Parton Wine Distribution will greatly enhance **WINEDEPOT**'s value proposition and help take the service levels offered by the integrated trading, logistics and payment management platform to the next level.

*"Similar to the world's most successful marketplaces, we believe fast, cost-effective and reliable order fulfilment is the most powerful way to differentiate your customer value proposition and propel sales growth. Investing in this capability is good for both us and our customers."*

*"The challenge is, that up until now, we have relied heavily on 3<sup>rd</sup> party warehousing and freight providers to support our national logistics network. This model worked reasonably well in serving our customers, but as our business continues to scale, we need more control over how our supply chain is operated. Particularly during peak periods when 3<sup>rd</sup> party networks can become slow and congested."*

*"Having our own dedicated fleet of delivery vans and drivers will ensure we provide an exceptional experience for trade buyers using **MARKET** our recently launched direct-to-trade online marketplace. Having direct control over our warehouses, with the ability to offer temperature controlled, cold chain and bonded storage will also help us to acquire major accounts which have eluded us to date. Importantly, moving to a closed loop network provides the physical foundations required to underpin the other products we offer through our technology platform."*

*"Along with an immediate lift in key metrics, the acquisition provides us with another 225 customers that can be leveraged to drive further growth across our platform. The scale of the merged operation, overlaid with our investment in state-of-the-art technology, will undoubtedly help position **WINEDEPOT** as the market leading supply chain solution, focused on supporting the eCommerce shift in the wine industry."*

*"For all of these reasons I am confident that this acquisition will accelerate our market penetration in Australia and generate a lot of additional value for both customers and DW8 shareholders alike."*

## Placement Details

The Company is pleased to advise that it has received firm commitments to raise gross proceeds of \$7,500,000 via a share placement to institutional and sophisticated investors of \$7,375,000 and DW8 director participation of \$125,000, subject to shareholder approval. The share placement was strongly supported and will see a number of new institutional shareholders join the Company's register.

The share placement will comprise the issue of 113,461,540 new fully paid ordinary shares ("Placement Shares") at an issue price of \$0.065 per share ("**Placement**"). Completion of the Placement is expected to occur on or around 27 July 2021. In addition to the Placement, all of DW8's directors have committed to subscribe for an aggregate of 1,923,076 new fully paid ordinary shares ("**Director Shares**") at an issue price of \$0.065 per share to contribute \$125,000 on the same terms as the Placement, subject to the receipt of prior shareholder approval.

113,461,540 of the Placement Shares have been agreed to be issued pursuant to the Company's 10% capacity under Listing Rule 7.1A. The 1,923,076 Director Shares will be issued subject to the receipt of prior shareholder approval to be sought at a General Meeting to be held on a date yet to be announced.

The issue price represents a 28.6% discount to the last traded share price of 9.1 cents, 20% to the 15-day volume weighted average share price, and 21.6% to the 30-day volume weighted average share price.

Blue Ocean Equities Pty Limited has been appointed to act as Lead Manager to the Share Placement. A 6% management and selling fee of the total proceeds raised under the Placement is payable to the Lead Manager and 7.5 million unquoted options with an expiry date that is 3 years from date of issue and an exercise price of \$0.0975. The unquoted Lead Manager options will be issued using the Company's 15% capacity under Listing Rule 7.1.

Funds raised under the Share Placement will be applied as follows:

- \$2.8m to clear Parton existing liabilities;
- \$1.2m to repay Parton debtor finance;
- \$1.0m to fund Parton planned capital expenditure projects; and
- \$2.5m to fund expansion of the merged logistics business.

## Material Terms

The expected date of completion for the Acquisition is 30 July 2021.

The consideration for the Acquisition is entirely performance based via an Earn Out through the issue of performance securities ("**Earn Out Securities**"), vesting in two tranches upon the achievement of the following milestones:

	Relevant Period	Minimum Annual Revenue	Minimum Annual EBITDA
Milestone 1	FY 2022	\$15 million	\$350,000
Milestone 2	FY 2023	\$15 million	\$350,000

The number of DW8 Shares to be issued upon the vesting and exercise of achievement of the Earn Out Securities will rise and fall depending on the Annual Revenue and EBITDA generated by PWG in each of the next 2 financial years, as set out in the following table.

EBITDA From	EBITDA To	Earnout Ratio	Earnout Value	DW8 Shares
\$ 950,000	any number	150%	\$ 1,650,000	19,298,246
\$ 900,000	\$ 949,999	142%	\$ 1,558,333	18,226,121
\$ 850,000	\$ 899,999	133%	\$ 1,466,667	17,153,996
\$ 800,000	\$ 849,999	125%	\$ 1,375,000	16,081,871
\$ 750,000	\$ 799,999	117%	\$ 1,283,333	15,009,747
\$ 700,000	\$ 749,999	108%	\$ 1,191,667	13,937,622
<b>\$ 650,000</b>	<b>\$ 699,999</b>	<b>100%</b>	<b>\$ 1,100,000</b>	<b>12,865,497</b>
\$ 600,000	\$ 649,999	86%	\$ 942,857	11,027,569
\$ 550,000	\$ 599,999	71%	\$ 785,714	9,189,641
\$ 500,000	\$ 549,999	57%	\$ 628,571	7,351,713
\$ 450,000	\$ 499,999	43%	\$ 471,429	5,513,784
\$ 400,000	\$ 449,999	29%	\$ 314,286	3,675,856
\$ 350,000	\$ 399,999	14%	\$ 157,143	1,837,928
\$ 300,000	\$ 349,999	0%	\$ -	-

The share price used to calculate the number of DW8 Shares to be issued upon the vesting and exercise of the Earn Out Securities is \$0.0855, which is equal to the 30-day VWAP upon the date the Non-Binding Term Sheet for the Acquisition was signed by the parties. The Company will issue the Earn Out Securities under the Acquisition agreement under its Listing Rule 7.1 capacity. The Earn Out structure and value of the Earn Out Securities has been determined by considering Parton's:

- Trading performance in Q3 & Q4 FY2021;
- Historical growth rate; and
- Recent rate increase of 3.65% across all the services it offers customers effective 1 July 2021.

The maximum number of DW8 Shares that may be issued over two years is 38,596,492 based on the business generating: \$15 million revenue per annum and \$950,000 EBITDA per annum in FY2022 and FY2023.

If the Annual Revenue is below \$15 million or the EBITDA remains below \$350,000 each year, then no Earn Out Securities will vest.

The Earn Out Securities expire 5 years after the date of issue.

The Minimum Annual Revenue Target and the Annual EBITDA Target excludes any revenue contributions from WINEDEPOT's existing logistics business.

Financial, legal and technical due diligence on PWG has been completed by The Company and external advisors appointed by the Company. Based on the information provided in these due diligence reports, the Company considers that PWG is capable of performing its obligations under the agreement. The Company's senior executive team has also completed Operational due diligence on PWG including the inspection of all facilities, meeting the senior executive team, discussions with the landlords and financiers. There are a small number of due diligence items remaining in respect of PWG staff and PWG customer interviews which will be completed prior to completion.

Material conditions precedent remaining include:

- There being no material unremedied breach of the transaction documents by PWG;
- None of the warranties is or has become materially false, misleading or incorrect; and
- No material adverse change has occurred.

All other material conditions precedent have been satisfied.

As part of the sale agreement, PWG Founder, Richard Raddon will be employed as General Manager (3PL Logistics). The Key Terms of his Senior Executive Employment Agreement are as follows:

- Base Salary of \$250,000 exclusive of superannuation
- Three-month notice period for termination by either party
- Short term incentives at the Company's discretion
- Long term incentives released as part of the Company's ESIP program at the Company's discretion
- Other terms considered standard for an agreement of this nature

**END**

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

## **WINEDEPOT** (winedepot.com)

is an online technology platform designed to streamline wine & beverage distribution. The integrated trading, logistics and payment solution consists of five key components:

- **MARKET** – direct-to-trade marketplace
- **DIRECT** – direct-to-consumer sales manager
- **CONNECT** – order, inventory & technology integration manager
- **LIQUIDITY** – payment management solution
- **LOGISTICS** – fulfillment solution

Revenue is generated via:

- **Trading Fees** (% of the wholesale transaction value)
- **Sales Commissions** (% of the retail transactions generated)
- **Connect Platform Fees** (monthly subscriptions, listing and integration fees)
- **Liquidity Fees** (% of the transaction value funded)
- **Logistics Fees** (storage, picking, packing, handling & freight)

**WINEDEPOT** plans to solidify its presence in Australasia before expanding the platform into other key markets such as USA, UK, Europe, Canada, Hong Kong and Singapore.

## **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 or digitally transform segments within the global beverage market.

To keep abreast of DW8's latest developments please visit [www.digitalwine.ventures/blog](http://www.digitalwine.ventures/blog)

To view recent media coverage please visit:

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

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### **Forward-Looking Statements**

*This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Digital Wine Ventures Limited's planned operations and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although Digital Wine Ventures Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.*