

10 March 2022

ASX Announcement

DW8 releases synergies and prepares for next phase of growth by merging brands

Highlights

- **‘Project One’** - DW8 to bring all of its operations under a single brand, **‘Kaddy’**
- DW8 simplifies its customer value proposition into two core divisions:
 - **Kaddy Fulfilment** (formerly WINEDEPOT LOGISTICS)
 - **Kaddy Marketplace**
- WINEDEPOT MARKET will be retired and its suppliers and buyers migrated to the recently acquired **Kaddy Marketplace**
- Consolidation of brands and business units is expected to release material savings; generate additional revenues, prepare the platform for further scaling and develop a deeper level of engagement with the existing customer base
- Cost-saving initiatives being rolled out across the Marketplace division are expected to reduce the current cost base by over \$3m p.a. or \$750k per quarter
- **Kaddy Fulfilment** is undertaking a range of technology and operational integration projects that are expected to improve the profitability of that division
- **Kaddy Marketplace** GMV returned in February to the same record levels as November 2021 indicating that the ‘reopening trade’ in NSW and Victoria has finally arrived
- Cash on hand and cost-saving initiatives are expected to extend runway into calendar year 2023

DW8 Limited (DW8: ASX), or the “Company”), is an integrated marketplace, payment & fulfilment platform operating under ‘Kaddy’ that provides beverage suppliers an end-to-end supply chain solution which allows them to connect with buyers, simplify operations, streamline payments and deliver a superior delivery experience.

The Company is pleased to provide an update on the progress of **‘Project One’**, which brings four business units under the **Kaddy** brand umbrella, releasing operational efficiencies, material cost savings, new revenue generation opportunities and deeper levels of customer engagement while preparing Australia’s leading B2B beverage marketplace for the next phase of growth.

Project One

Under Project One, DW8 will consolidate four legacy brands under a single brand umbrella, ‘Kaddy’. Launched in 2019, Kaddy has established itself as the leading wholesale beverage marketplace in Australia based on monetised GMV, revenue generated and new customer growth.

Project One takes advantage of latent synergies available by integrating several strategic acquisitions the Company has made in the last two years (which include Kaddy, Parton Wine Distribution and Wine Delivery Australia). Bringing these businesses together into a single, brand-led, end-to-end solution compounds the value of the synergies and brand awareness while enhancing the customer value proposition and providing step changes in capability across both the Marketplace and Fulfilment divisions of the business.

DW8 CEO Dean Taylor said,

“Project One is an overarching company-wide strategic initiative that embraces and embodies the four pillars of our customer value proposition: **connect, simplify, deliver and support**. In summary it is all about unifying our four existing businesses with one distinct vision, simplifying the way that we operate and presenting ourselves to the industry as a one stop solution.

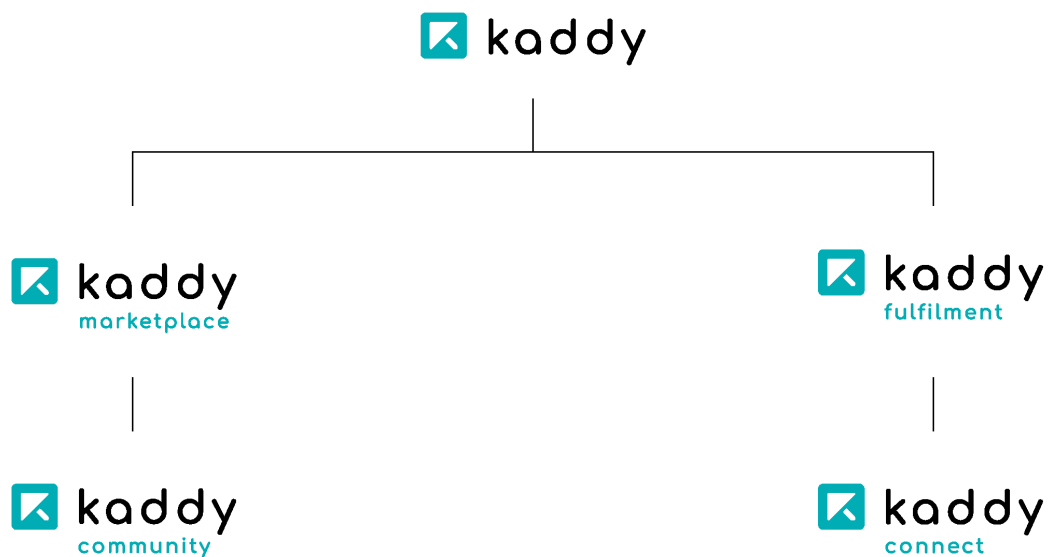
“Project One will strengthen our presence within the \$37.2 billion¹ Australian liquor market and allow us to take full advantage of the network effect generated by the rapidly expanding ecosystem of suppliers and buyers using our merged platform to further accelerate revenue and Marketplace GMV growth.

“It will also generate material cost savings and incremental revenue generation opportunities, repositioning the Company with a significantly lower and more sustainable cost base. One of the most significant of these will be achieved through the consolidation of our two wholesale marketplaces, reducing the current cost base by circa \$3m per annum.

“Over the coming months a number of technology and operational integration projects in our fulfilment division (Kaddy Fulfilment) will also be completed, improving the profitability of that business unit. This combined with the savings achieved by merging brands and marketplaces and cash on hand is expected to help extend our cash runway into calendar 2023.

“Our vision is to create a \$1 billion GMV wholesale beverage marketplace In Australia, then look to expand that trading platform into other markets. We believe the only way to achieve this is by providing users an end-to-end solution that incorporates a best-in-class fulfillment experience. Therefore the two divisions must go forward hand in hand. Project One ensures that our whole team is united and aligned with one distinct vision. It’s an exciting time for the Kaddy team as we continue to lead the much-awaited digital transformation of the beverage industry.”

New brand hierarchy



The Company’s new brand presence will soon be enhanced by **Kaddy Community**, an online social network platform designed to provide like-minded beverage industry professionals with a content-rich forum where they can share their news, reviews, views, insights and latest announcements. Like the news feeds provided by the major social media platforms, Kaddy Community will provide a secondary interaction that encourages daily visits from a much wider audience that enhances engagement across the entire platform. **Insider**, a staff drinks program for members of the beverage and hospitality industry that currently sits within WINEDEPOT MARKET will be relocated into Kaddy Community.

¹ <https://www.statista.com/outlook/cmo/alcoholic-drinks/australia>

Cost savings and revenue opportunities

Project One provides material cost savings and releases significant efficiencies, process improvements and revenue generation opportunities across the integrated trading, payments and order fulfilment platform.

Kaddy Marketplace

Currently, DW8 operates two wholesale beverage marketplaces, each supported by its own team of engineers, product managers, digital marketers, sales managers and customer support. Combined with customer acquisition costs, supporting each platform is a significant expense to the Company.

With a rapidly growing range of over 1,300 brands and 13,000 products, Kaddy Marketplace is already Australia's leading B2B beverage trading platform servicing more than 2,300 trade buyers across the country.

Its low commission rate, self-managed fulfilment model and product pricing management tools make their model attractive to leading brands as well as distributors who represent a large percentage of the wholesale market. For any wholesale beverage marketplace to scale to its full potential, it must cater for the needs of distributors and their sales representatives, which is how Kaddy Marketplace has been built.

For these reasons, the Company has decided to adopt Kaddy Marketplace as its primary wholesale beverage platform. The Company's other B2B marketplace, WINEDEPOT MARKET, will be retired on 30 April 2022, and its buyers and suppliers will be migrated across to the Kaddy Marketplace, with an expected smooth transition. Significant savings will be released from:

- Retiring the associated technology stack
- Reduction in advertising & marketing costs
- Reduction in consultants and contractors
- Reduction in internal resources

In terms of the outlook for the merged Kaddy Marketplace, while the rapid spread of Omicron dampened marketplace sales in January, GMV generated in February 2022 returned to the same levels as November 2021, indicating that the much awaited 'reopening trade' that NSW and Victorian venues were waiting for has finally arrived.

Kaddy Fulfilment

A core component of Project One is the rollout of **Kaddy Connect** (formerly Connect), across Kaddy Fulfilment, reducing the number of third party warehouse and transport management applications currently being used across the business. This will make it much easier to utilise our dedicated delivery fleet for all metro deliveries, further reducing our reliance on third party carriers, simplifying operations, improving our customer experience, and reducing costs.

The second generation of Kaddy Connect, which is expected to launch later this month, will open up a new revenue stream for Kaddy Fulfilment division in the second half of this calendar year via the introduction of SaaS subscription fees.

With all of our existing customers on the one technology platform (Kaddy Connect), the cross-selling of products and services across the two divisions, Kaddy Marketplace and Kaddy Fulfilment, will be much easier. This is expected to help lift the lifetime value of both existing and new customers while further reducing our average customer acquisition cost.

Separately, the Kaddy Fulfilment team is also working hard to develop a cross-dock solution that will allow customers using Kaddy Marketplace to take advantage of our dedicated delivery fleet for both same and next day consumer deliveries.

Last but not least, the rebranding of warehouses, trucks, dedicated delivery fleet and staff uniforms to Kaddy is expected to help build strong brand awareness across both divisions.



IMPACT ON CASH FLOWS

The cost-saving initiatives identified to date are expected to **reduce the current cost base by over \$3m p.a.** or \$750k per quarter (operating cash flows).

The majority of these savings will come from the consolidation of marketplaces which will take effect during the March and June ending quarters. It is expected that the full benefit of these cost savings along with those yet to be realised from integration initiatives in the Kaddy Fulfilment division will be visible from the September quarter onwards. In the near term, a number of one-off restructuring costs will also be incurred and booked into the March quarter.

END

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

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For more information about DW8

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Blog: www.digitalwine.ventures/insights

Media: <https://winedepot.com/media-coverage/>

DW8 Limited (ASX: DW8)

DW8 is an Australian publicly listed technology company that operates **Kaddy**, an integrated marketplace, payment & fulfilment platform that provides beverage suppliers an end-to-end supply chain solution that allows them to connect with buyers, simplify operations, streamline payments and deliver a superior delivery experience.

Our unique and innovative technology platform is central to our success and enabled Kaddy to establish itself as Australia's leading beverage marketplace and drive the digital transformation of the local beverage industry.

Kaddy Marketplace is a one-stop shop for wholesale beverages discovery, ordering, invoicing and payments. Buyers have access to a broader range of products, a streamlined ordering and invoicing process, and flexible payment options. Suppliers can also connect with a diverse range of venues and retailers, creating opportunities to simplify back-office functions, increase sales opportunities, distribution and reach while improving cash flow.

Kaddy Fulfilment offers the beverages industry a suite of specialised fulfilment solutions, including warehousing, inventory management and nationwide delivery services. With a dedicated fleet servicing major capitals across Australia, it provides suppliers with a fast, efficient and reliable delivery solution.

Kaddy Community is a social networking platform designed to provide like-minded beverage industry professionals access to a forum to share their news, reviews, views, insights and latest announcements.

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

Kaddy generates revenue via:

- Marketplace fees (% of the GMV / transaction value)
- Fulfilment fees (storage, picking, packing, handling & freight)
- Subscriptions (charged per user accessing the platform)

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.