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ASX ANNOUNCEMENT

31 May 2023

GAMING LICENSES AND TRADING UPDATE

Good Drinks Sells Queensland Gaming Licenses for $4.9m

Good Drinks Australia ("**Good Drinks**", "**the Company**" or "the Group") (**ASX: GDA**) is pleased to announce it has sold 15 gaming licenses, raising $4.9m in cash.

The gaming licenses were part of the $5.3m acquisition of "Joe's Waterhole" in November 2021 and as the licenses are no longer required, their sale funds the majority of the current redevelopment into Matso's Sunshine Coast.

The project to transform Joe's Waterhole into Matso's Sunshine Coast is progressing well with development approved and construction underway. Matso's Sunshine Coast will provide a home and an authentic consumer experience for the Matso's brand in Queensland.

Build costs are estimated at $5.5m and the targeted opening date is October 2023.

Figure 1 Matso's Sunshine Coast - Artist impression (exterior)

Figure 2 Matso's Sunshine Coast - Artist impression (interior)

Trading Update

<u>Overview:</u>

With the end of the financial year approaching, the Company is also pleased to provide an update for Q3 and the balance of FY23.

The Company's year-to-date sales continue to track well, outperforming the broader beer market, however competitive pricing, higher COGS and ongoing investment in sales and marketing expenditure are impacting FY23 earnings. Accordingly, the Company expects FY23 Group earnings to be at comparable levels to those achieved in FY22. Further detail is provided below.

<u>YTD Q3 Sales:</u>

- Good Drinks own-brand packaged sales up 5.2%.
- Good Drinks own-brand draught sales up 37%.
- Good Drinks total own brand sales up 13%.
- Partner brands Millers, Coors and Magners successfully integrated into the GDA portfolio, with national distributions rising 77%.

Note: all comparisons are vs YTD Q3 FY22

Good Drinks continued to outperform the broader beer market to record 5.2% growth (total beer market down 7.9%, craft beer category steady) [1].

Positioning GDA products as lifestyle brands, transcending the craft beer category, is leading to broader distribution and higher sales volumes. We expect our own brands, particularly flagship brands Gage Roads Single Fin and Matso's Ginger Beer to continue to perform strongly as we increase national distributions.

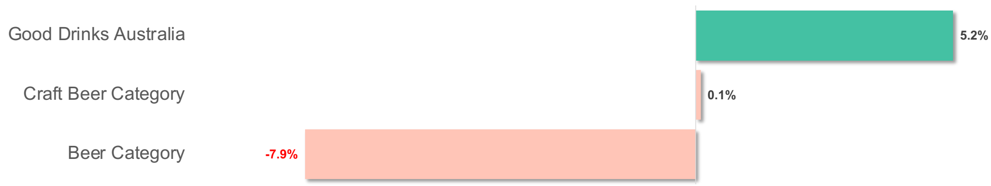

Figure 3 Australia Craft Beer Segment Retail Sales

<u>Drivers:</u>

Although list price increases were passed through to consumers, the industry traded at heavily discounted levels up until Easter. During that period, GDA matched competitor pricing, however we are now starting to see competitor prices increasing, allowing for revised pricing to be realised, offsetting COGS inflationary pressures.

COGS increased up to 20% during the year due to a spike in international freight rates during the period of global supply chain disruptions. Freight rates have since normalised and are returning to historic cost levels, and GDA's international procurement prices have not experienced the domestic inflation pressures. The Company has now depleted this higher cost inventory and is currently processing production inputs at close to pre-Covid cost levels.

FY23 sales and marketing expenditure, largely committed prior to December, was maintained at planned levels but will reduce in FY24 relative to sales, reflecting growth rates and trading conditions.

[1] Source: IRI MarketEdge Australia Liquor Weighted MAT To 02/04/23.

During the year, the Company eliminated most low-margin contract brewing services, resulting in an annualised reduction of 5.7m Litres in volume, freeing up existing capacity for expected growth in high-margin Good Drinks proprietary brands.

Although the financial year has been impacted by a planned transition away from low-margin contract brewing, increased sales and marketing expenditure during a period of poorer than expected trading conditions, and the one-off impact of higher COGS, the Company is pleased with the result.

Good Drinks has successfully executed the integration of two new revenue and earnings streams, being hospitality and partner brands to off-set these challenges and is targeting FY23 Group earnings at comparable levels to FY22.

Outlook:

With COGS normalising, industry pricing increasing, and our restructuring of sales and marketing expenditure completed, we expect margins and earnings of the proprietary brand business to be stronger in FY24. Coupled with strong hospitality and partner brand growth, the Company expects FY24 to be closely aligned with our longer-term financial targets.

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This announcement has been authorised by the Board of Directors.

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