

9 April 2020

ASX Announcement

## QUARTERLY REPORT – 31 MARCH 2020

### HIGHLIGHTS:

- **WINEDEPOT** generates \$182k revenue for the quarter
- **WINEDEPOT** expects solid volume growth despite government lockdown measures
- **WINEDEPOT** launches new Direct-to-Depot fulfillment service
- **WINEDEPOT** signs up 12 more customers despite challenging trading conditions
- **WINEDEPOT** signs up the iconic Australian wine producer Brokenwood
- **WINEDEPOT** releases Support Package for Australian Wine Producers
- **WINEDEPOT** helps foundation customer increase sales by 400%
- **WINEDEPOT** secures liquor license, paving way for B2B Marketplace launch
- **WINEDEPOT** appoints supply chain specialist as COO
- **WINEDEPOT** executive team bolstered by four senior recruits
- **DW8** CEO Dean Taylor invited to join Retail Drinks Australia board

**Digital Wine Ventures Limited (ASX:DW8) (Company)** is pleased to provide a summary of the activity undertaken in the three-month period ending 31 March 2020.

### **WINEDEPOT generates \$182k revenue for the quarter**

The Company is pleased to report that the **WINEDEPOT** business generated total revenue of **\$182,423** for the quarter ending 31 March 2020. This was an increase of 116% on the \$84,250 maiden revenue reported in the previous quarterly report.

DW8 CEO, Dean Taylor was pleased with the result given it's always the quietest trading period of the year and the extreme loss of confidence that Australian wine producers have faced during the quarter.

"After dealing with bushfires, smoke taint, an extremely low yielding vintage, 2020 was already a vintage that every wine producer would want to forget. Over the last few weeks, wineries big and small have also watched as their export, trade distribution and cellar door markets literally collapse due to the devastating impact of COVID-19."

"With no sign of these markets reopening in the near future, their only hope is driving sales through online and direct-to-consumer market segments. Fortunately this is their most profitable route to market and right now there's exponential growth due to the massive surge in online purchasing."

"This places **WINEDEPOT** in a strong position as our platform caters predominantly for wineries generating sales in these sales channels. We are in the unique position that the outlook for our business over the next 6 to 12 months is very optimistic."



## WINEDEPOT expects solid volume growth despite lockdown measures

The Company is pleased to advise that **WINEDEPOT** processed a record number of orders in March (2,032), bringing the total number of unique orders for the quarter to of **4,234**. This represents an increase of 150% on the order volume in the last quarter.

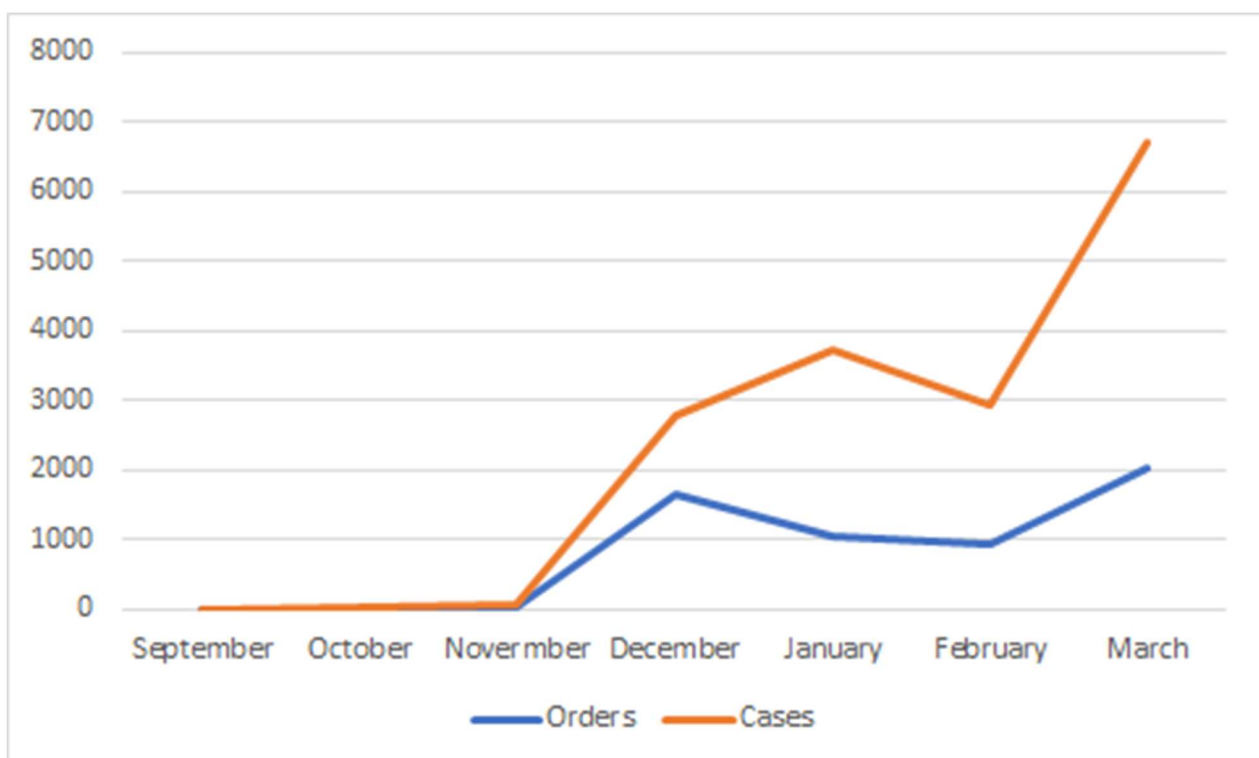
DW8 CEO Dean Taylor believes volume growth will accelerate over coming months as more and more consumers embrace online shopping as a practical way of dealing with the measures introduced by our governments try and contain the spread of COVID-19.

This is in addition to the expected growth from winery club orders as announced on 28 February 2020, where wineries generate hundreds and sometime thousands of unique orders at over a short period of time.

“Over the last few weeks, online wine sales have surged all over the world as the entire hospitality sector including pubs, clubs, nightclubs, restaurants, casinos, cinemas have been closed down. Consumers still want to drink but they are doing whatever they can to avoid visiting busy shops and shopping online is the best way to do that.”

“So far online retailers have soaked up much of this additional demand, however I expect wine producers to target this market more aggressively as they realise that online and direct-to-consumer are the only channels where they can continue to generate sales right now.”

“**WINEDEPOT**’s cloud-based technology platform has been specifically designed to cater for both of these markets. It’s therefore no surprise that we’ve seen a lift in the number of orders processed over the last few weeks. I expect this trend to continue over the coming months, as more and more wineries embrace solutions like ours to help them trade through these current difficult conditions offering their customers a quick, cost effective and reliable delivery service.”



## **WINEDEPOT launches new Direct-to-Depot fulfillment service**

The Company is pleased to report that the **WINEDEPOT** is expanding its existing product offering by launching a new fulfillment service called Direct-to-Depot (D2D).

Unlike the existing End-to-End (E2E) fulfillment service that relies on all customers inventory being handled into and processed through **WINEDEPOT**'s Bulk Storage facilities, the Direct-to-Depot service allows customers to deliver their inventory directly into depots of their choice.

The key benefit that this provides customers is that it's considerably cheaper than the E2E solution, making it very attractive for larger scale wineries that have an existing wholesaler, distributor or 3PL provider who are capable of managing the replenishment of the inventory held in our depots.

It also works very well for smaller and medium sized producers whose winery location and customer base is generally in one state. Rather than ship their inventory to our Bulk Storage Centres only to have it shipped back to their local depot, they send their inventory directly to their local depot. These producers would then use the E2E model to service their customers located in other markets.

For example a winery located in Margaret River sells 65% of their wine in WA and the 35% in other states. They would be best using the D2D model to service their Perth customers then shipping the remainder of their inventory to our Bulk Storage facilities to service their eastern seaboard customers.

The D2D model also works well for distributors and importers who typically have a strong presence in just one state and do not need to utilise **WINEDEPOT**'s entire depot network.

DW8 CEO Dean Taylor is excited about the new service and believes it will significantly expand **WINEDEPOT**'s addressable market by making the platform more suitable to the broader wine industry. In particular the 2,000 or so wine distributors that operate in Australia."

"Up until now, our focus has been mostly on providing a solution for the needs of Australia's small and medium wine producers. However, our partnership with Casella has provided us with valuable insight into the needs of much larger enterprise level customers."

"The introduction of our Direct-to-Depot service makes it much easier for us to engage with large multinational wine businesses like Treasury Wines, Accolade, LVMH and Pernod Ricard who already operate their own logistics networks."

"Offering a solution that caters for the major players and distributors should allow us to dramatically increase the number of products we have on offer via our B2B Marketplace when it is launched later this year. Therefore the launch of this service is strategically very beneficial."

Taylor has confirmed that a number of existing customers including Casella Family Wines are already testing the Direct-to-Depot solution and based on feedback received so far he expects about 50% of all new customers will use the new service when it is officially launched in July.

## WINEDEPOT signs up more customers despite challenging trading conditions

The Company is pleased to report that a total of 12 new customers have signed up to use **WINEDEPOT**'s services integrated trading and logistics platform including:

- |                           |                                 |
|---------------------------|---------------------------------|
| • <b>PAWK Wines</b>       | South Australia                 |
| • <b>The Blok</b>         | Coonawarra, SA                  |
| • <b>Chalmers</b>         | Mildura / Heathcote, VIC        |
| • <b>Five Geese</b>       | McLaren Vale, SA                |
| • <b>Wangolina</b>        | Robe, SA                        |
| • <b>Harry Scots</b>      | Bellarine Peninsula, VIC        |
| • <b>Kismet Trading</b>   | Importers                       |
| • <b>Linchpin Wines</b>   | South Australia                 |
| • <b>Parasol Wines</b>    | French wine producer / importer |
| • <b>Rogue Vintner</b>    | South Australia                 |
| • <b>Storm Ridge</b>      | Yarra Valley, VIC               |
| • <b>Brokenwood Wines</b> | Hunter Valley, NSW              |

This brings the total number of customers to 37, representing just 1.5% of the 2,500+ <sup>1</sup> wineries, 0% of the 2,000 <sup>2</sup> distributors and 0.4% of the 250+ <sup>3</sup> craft spirits producers in Australia, showing that the business has only just scratched the surface of the local addressable market.

CEO, Dean Taylor believes that this is an extremely good result considering it is the vintage quarter and the events that have affected the industry over the last few months.

“Between mid January and the end of April each year every single winery is focused on picking their grapes and making wine. Now that vintage is almost over, they can start thinking about other elements of their businesses such as their supply chain. I believe the release of our Support Package will help get many of the wineries in our pipeline over the line over the coming months.”

## WINEDEPOT signs up iconic Australian wine producer Brokenwood

The Company is pleased to report that iconic Hunter Valley based wine producer Brokenwood Wines has joined the list of esteemed brands using **WINEDEPOT**'s logistic services.

Established in 1970, Brokenwood Wines has evolved from a weekend venture for self-professed winemakers into one of Australia's most reputable wine labels. Founded by a trio of Sydney-based solicitors including James Halliday AM, the business is now led by managing director and head winemaker Iain Riggs AM.

Their flagship wines include 'Graveyard Vineyard' Shiraz, which has been classified by Langtons as Exceptional, ranking it amongst Australia's 22 most highly prized fine wines and the 'ILR Reserve' Semillon, which is considered an exemplary example of the classic Hunter Valley Semillon style.

Brokenwood's key attraction to **WINEDEPOT** is it's same day delivery service, which General Manager Geoff Krieger believes will help drive sales in key markets like Sydney.

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<sup>1</sup> <https://www.wineaustralia.com/market-insights/australian-wine-sector-at-a-glance>

<sup>2</sup> IBISWorld Industry Report F3606a Liquor Wholesaling in Australia April 2018

<sup>3</sup> Obtained from the Australian Distillers Association

## **WINEDEPOT announces support package for Australian Wine Producers**

On 24 March 2020, **WINEDEPOT** announced the release of a support package of highly subsidised services to help wine producers maximise their ability to trade during this challenging time.

**WINEDEPOT** Founder and CEO Dean Taylor says “Never before have Australian wine producers faced a challenge like this. This is where **WINEDEPOT** can help by providing wineries access to a support package that can help them quickly increase their exposure to this rapidly growing market without having to go through a retailer. Our platform allows them to offer their customers a fast and free delivery service backed by our partners Australia Post, who as an essential service will continue operating throughout the crisis.”

**WINEDEPOT**’s Support Package is available to all Australian owned and operated wineries and includes the following benefits:

- \$500 free credit
- 3 months free storage
- Free initial stock transfer into bulk storage
- Delivery from just \$7.95 / case within metro areas
- Waived platform access, set up and integration charges, usually \$995

Terms and conditions apply. Visit [www.winedepot.com](http://www.winedepot.com) for more details.

## **WINEDEPOT helps foundation customer increase sales by 400%**

On the 24 March 2020, the Company was pleased to announce that foundation customer Vodka+, had experienced a 400% increase in sales volumes after providing their customers access to same-day and next-day delivery options through **WINEDEPOT**’s end-to-end fulfillment platform.

The Iconic Australian brand launched in 2015 addressing a clear gap in the market for alcoholic beverages that were low-calorie, gluten-free and sugar-free, catering to growing health trends from keto diets to calorie-counting.

“For four years now we’ve been locked out of the market,” says Marko Pavasovic, co-founder and CEO of Vodka+. “With Wine Depot we have every chance to succeed as much as the big guys.”

“We’re excited to partner with a forward-thinking tech company that’s helping craft spirits producers like ourselves to build and grow the direct-to-consumer market in Australia. We’re all about challenging the norms and looking for new and innovative ways of thinking.”

Digital Wines CEO Dean Taylor, says “The growth rate that Vodka+ has experienced since launching with **WINEDEPOT** demonstrates the potential of our platform to help wine, spirits, cider and beer brands of any size to rapidly grow their direct-to-consumer sales channels by catering for the needs of the modern consumer.”

“By selling direct, they are able to avoid distributors and retailers and increase their profit margins substantially. However until now, most of this extra margin has been eroded by high fulfillment costs. **WINEDEPOT**’s platform and network of depots allows boutique brands like Vodka+ to provide the same service level as major retailers while banking a lot more margin.”

## **WINEDEPOT secures liquor license, paving way for B2B Marketplace launch**

On 28 February 2020, the Company announced that **WINEDEPOT**'s application for a liquor license (producer / wholesale) was approved by the NSW Independent Liquor & Gaming Authority. This type of license allows **WINEDEPOT** to trade wine between businesses via its planned B2B Marketplace.

Digital Wine's CEO Dean Taylor explained the importance of this milestone saying "Right now our primary source of revenue is from our Logistics Solution, which is entirely volume driven. However, once the B2B marketplace goes live later this year we will also generate **Trading Fees** where we take a percentage of the transaction value processed."

"Over time Trading Fees should become our largest and most profitable revenue stream while allowing us to substantially increase the average yield generated from orders processed via our platform. The vertical integration of our trading, order management and logistics businesses is what makes our model unique and puts us in a very strong position to counter any potential competition" Taylor said.

## **WINEDEPOT appoints supply chain specialist as COO**

On 6 March 2020, the Company announced the appointment of **Steven Alexander** as Chief Operating Officer of its **WINEDEPOT** business. With almost two decades of hands on operational experience within the logistics and supply chain industry, Steven is a welcome addition to the **WINEDEPOT** executive team.

He brings not only extensive general management and operational experience but also significantly bolsters the company's capability to roll out its innovative supply chain solution both here in Australia and in other global markets. With a relentless focus on simplifying complex supply chains, Steven has a track record of uncovering efficiency improvements, reducing operating costs, and leveraging Lean Six Sigma practices and technology to generate long-term competitiveness.

Steven has held key strategic roles (General Manager of Operations) with organizations like Fastway, a globally franchised courier company with a presence in New Zealand, Australia, Ireland and South Africa. Operating in Australia since 1993, Fastway's network is made up of over 800 franchise partners operating in 27 regions across the country.

Previously he held a position with Damco (part of the A.P Moller - Maersk Group) a global logistics company that has a presence in 100 plus countries, over 11,000 staff and turns over in excess of 2.5 billion US dollars. His role there was to build and develop an operational structure to support the Australian and New Zealand business units managing a range of high profile customers including Zara, Country Road, Bardot, Nike and Consolidated Brands.

Prior to that, he was a General Operations Manager for Americold LLC, a temperature-controlled warehousing and transportation third party supplier based in the United States which owns and operates over 185 temperature-controlled warehouses around the world.

Steven holds a Bachelor of Business (Logistics and Supply Chain Management), a Diploma in Logistics Management and is currently completing his Masters of Business Law. He commenced with the business on 9 March 2020.

## **WINEDEPOT executive team bolstered by four senior recruits**

On 28 February 2020, the Company announced that the following executives had joined the **WINEDEPOT** executive team since the start of the year.

### **MATTHEW JOHNSON – Finance Manager**

Matthew is a Chartered Accountant with over 25 years of hands on accounting and financial management experience in a range of local and international businesses of various scales. Companies that he has worked for include PBL, British Telecom, Westfield, George Patts, Fairfax and DMG World Media. Over the last 5 years Matt's focus has been mostly helping fast growing SaaS and Fintech businesses like **WINEDEPOT** including Maestrano, Inlogik and GeoOP (NZA:GEO). Matt's appointment has allowed us to bring the financial function back in house and establish the structures and systems required to support a rapidly scaling business and provide the real-time reporting regime, that is expected in a technology start-up.

### **RICHARD SMITH – Head of Product (Technology)**

Richard joins **WINEDEPOT** with over 15 years of Product Leadership experience across many industries in both SME and large corporates. He has significant experience in B2B products and the Payment industry. His most recent role was as the Head of Product with Mint Payments, managing the deployment, maintenance and enhancement of 4 core products across 3 markets (AU, NZ and Singapore). Prior to that he was a Senior product manager at American Express Commercial Payments, responsible for products generating over \$2b billings per annum. He was also the founder and managing director of NZ Wine Online, an online wine retail business. Richard's key responsibility will be overseeing the product development roadmap for **WINEDEPOT** technology platform including the design, testing and launch of the B2B marketplace. Richard holds a Bachelor of Commerce and a Harvard Certificate in Leadership Excellence.

### **RON RAYMOND – Head of Customer Success**

With over 10 years of hands on customer success experience in B2B / Online Marketplaces / PaaS companies, Ron brings a wealth of experience to **WINEDEPOT**. In his last role he managed over 350 customers, generated over \$5m in annual renewal revenue and was awarded CSM of the year for 5 years running. He also has online retail experience, having being involved in his own start-up called Webdeals Direct selling electric products, hardware and peripherals. His key responsibility is managing the team in charge of the onboarding new customers, retaining them and ensuring they are satisfied using our platform throughout their lifetime.

### **KAYA REEVES – Sales Manager**

Kaya is a sales and marketing executive with over 12 years' experience in Sales, Account Management, Business and Brand Development, Partnerships and Communications. She also has a deep knowledge of the Australian wine industry after spending 7 years at Vinpac (owned by Pinnacle Drinks Group) managing over 50 key accounts whose wineries collectively produced over 2.2 million cases of wine per year. After a short stint at Westfield, she returned to her true passion taking a role at Accolade Wines, where she managed the Coles Liquor Group and Dan Murphy's accounts. Kaya will get plenty of opportunity to leverage these and other industry relationships as a core member of **WINEDEPOT**'s Sales and Marketing team.



## DW8 CEO Dean Taylor invited to join Retail Drinks Australia board

On 28 February 2020, the Company announced that that Retail Drinks Australia (**Retail Drinks**) had appointed Digital Wine Ventures CEO Mr Dean Taylor to its board of directors.

Dean joins existing board members Darren Blackhurst CEO Coles Liquor, Shane Tremble GM Corporate Services Endeavour Drinks, Gavin Saunders CEO Liquor Marketing Group, John Carmody Managing Director Hotel & Tourism Management, Sharni Wise-Fenton Retail Operations Manager Vantage Group, Scott Towers Managing Director Red Bottle Group, Paul Heilman multi-store owner, John Wilson multi-store owner, David Smith Managing Director Diageo, Chris Baddock CEO ALM and Richard Kelsey co-founder Beer Cartel.

CEO Julie Ryan congratulated Dean on his appointment to the Board on behalf of Retail Drinks.

"I am delighted to welcome Dean as the newest appointment to the Board, as one of the representative directors for the Digital & Online membership category. Dean is a highly regarded wine technology entrepreneur, having previously been named one of the 50 Stars of Wine and TOP 50 People in Ecommerce. His significant experience in the digital and online retailing space over many years will be an enormous asset to the organisation and we look forward to his unique perspectives and insights on the sector," Ryan said.

**END**

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

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## WINEDEPOT overview

**WINEDEPOT** is a cloud-based technology platform that has been designed to connect wine industry stakeholders to reduce the time, margin and capital wasted in the existing supply chain.

Catering for **wine producers, distributors, importers and retailers** of all sizes, the vertically integrated trading, order management and logistics platform provides an end-to-end supply chain solution capable of servicing a wide variety of sales channels including the rapidly growing direct-to-consumer and online market segments.

Key benefits the cloud-based technology platform provides stakeholders include:

- Reduced freight costs & shipping times;
- Reduced paperwork & administration;
- Reduced working capital requirement;
- Reduced errors & breakages;
- Increased customer reach;
- Increased customer satisfaction and repeat sales.

**WINEDEPOT** plans to launch its integrated wine trading and smart logistics platform in Australia before expanding its depot network into other key markets for Australian wine such as China, USA, UK, Canada, Hong Kong, Singapore and New Zealand.



## Digital Wines 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 share services.

**WINEDEPOT** is DW8's cornerstone investment.

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