

## Jetty Road Brewery to adopt a more capital light venue strategy, launches Jetty Road Lorne and exits South Melbourne

12 November 2020

ASX Announcement

### Highlights:

- As a result of COVID, Jetty Road with the support of Mighty Craft has pivoted to adopt a more capital light venue strategy;
- In line with this strategy, Jetty Road Brewery has agreed to exit the Lease on the South Melbourne site for a termination fee of \$311,000 (in GST);
- The decision reflects the reality that COVID is presenting a number of opportunities in the venue space that are lower risk and require less capital to achieve the same outcome (i.e. drive brand awareness and fuel wholesale growth)
- As a result, Jetty Road Brewery will open a venue in Lorne, Victoria, in late November, one of Victoria's most popular holiday destinations;
- The venue in Lorne is a unique opportunity in the main street of Lorne with a 1am liquor license and total capacity of 180 people;
- The venue is within walking distance of the beach, accommodation, and main tourist precinct and is one of only two on premise licenses in Lorne (the other being the Lorne Pub)
- The Jetty Road venue in Lorne is a capital light option (~ initial development costs of ~\$165,000) that will allow the venue to trade through Summer;
- Lorne has ~1m visitors each year and is one of the top holiday destinations in Victoria representing a unique opportunity to expand the reach and awareness of the Jetty Road brand for the first time outside the Mornington Peninsula;
- The Jetty Road Lorne location will complement the existing Jetty Road Dromana location, providing a strong presence on the two key coastal lines in Victoria.

Mighty Craft Limited (ASX:MCL) (formerly named Founders First Limited (ASX: FFL) ("the Company") is pleased to announce it secured an additional venue for Jetty Road Brewery in Lorne, Victoria reflecting a lower risk venue opportunity versus a new development in South Melbourne. In line with the more conservative approach during the COVID-19 times, the Company has elected to exit its lease in South Melbourne for \$311,000 break free and not proceed with an anticipated \$3.5m development.

**Commenting on the exit from South Melbourne, Mighty Craft Managing Director, Mark Haysman said:** "COVID has presented the venue side of our business with challenges as well as opportunities. Many venue opportunities have come our way in the last few months, and we expect this to continue. It is our view that we can get a better outcome for shareholders through a capital light venue strategy for Jetty Road and Lorne is the perfect example. We will



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have Jetty Road Lorne up and running this month for a small initial investment in one of the best holiday destinations in the state. While we did not take the decision to exit South Melbourne lightly, it is clear to us that that is the right decision and in the best interests of shareholders and leaves Mighty Craft in a strong cash position to take advantage of opportunities like this one which require a modest capital outlay”

#### Details of exit from South Melbourne:

- The landlord of South Melbourne and Jetty Road Brewery have agreed to terminate the lease as of the 11<sup>th</sup> November 2020
- The details of the exit are as follows:
  - Jetty Road Brewery to pay \$311,000 to exit the lease on 139-145 Market Street, South Melbourne, 3205 in Victoria;
  - The payment includes negotiated rent relief for ~\$60,000 resulting in a net cash impact of ~ \$250,000
  - The original lease signed in October 2018 was for 5 years with a 5 year option
- The exit will include reconciling development costs spent to date which have been capitalised and total approximately \$250,000.

#### Details of the Jetty Road Lorne venue:

- The initial lease agreement covers 6 months for the property at 82-84 Mount Joy Parade Lorne Victoria 3232
- The monthly rent cost is \$15,000 per month [plus GST]
- The intention is to sign a longer-term lease over the coming months and commit to a further upgrade of the site before peak season in 2021

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This announcement has been authorised and released by Managing Director, Mark Haysman

#### **About Mighty Craft**

Founded in 2017, Mighty Craft (ASX:MCL) is aiming to build the world’s strongest craft beverage collective through supporting and growing independent craft brewery and distillery businesses. MCL has invested in select craft beverages and is accelerating the brands growth through equity and debt funding whilst providing access to MCL’s leading team of liquor industry professionals providing functional excellence to craft operators. Mighty Craft focus is on allowing founders to play to their



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strengths while the MC team of industry experts supports by covering their gaps constraining growth and profitability.

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