

Mighty Craft delivers +185% growth, \$16.2M cash on hand

24 February 2021

ASX Announcement

Results highlights for the half year ended 31 December 2020¹

- Growth acceleration continues with total income of \$12.9 million for the half year ended 31st December 2020 an increase of 185%
- EBITDA² of \$(4.8) million and Net profit after tax attributable to MCL of \$(5.8) million
- Operating Profit³ of \$(3.9) million adjusting for one-off items
- Cash on hand of \$16.2 million as at 31 December 2020
- Wholesale⁴ revenue growth of 103% driven by both Beer at +85% and Spirits / RTDs at +190% versus prior year
- All venues were impacted by COVID-19 to varying degrees during the period, especially in Victoria where trading was at ~50% of normal levels
- Despite COVID-19 revenue growth in venues was driven by new venue acquisitions (Mighty Moonee Ponds, Mighty Hunter Valley and Jetty Road Lorne)
- Investment ahead of the curve in Mighty Craft's new operating model, digital infrastructure and commercial capability (specifically marketing) setting the platform to execute the next phase of the growth strategy

Mighty Craft Managing Director Mark Haysman commented, "We are extremely pleased with our growth trajectory and we expect this to continue in the second half of FY21. Reported growth of +185% puts us in the top bracket of ASX listed growth companies and well ahead of our industry peers. This is our aim; we are a growth company and over time we can see continued acceleration of growth leading to sustainable profit delivery. We now have an end-to-end logistics partner, a streamlined operating model and a very strong relationship with the retail trade and our brand partners. The Mighty Craft platform is now set for the next phase of growth. The expansion we have seen in businesses like Jetty Road, Kangaroo Island Spirits and Seven Seasons is exciting and they all have very strong commercial plans in the

¹ All comparisons are with the six months ended 31 December 2019 (H120) unless otherwise stated

² Earnings before interest, tax, depreciation, and amortization (EBITDA) is a non-GAAP measure. The company believes that it assists in providing an understanding of the underlying performance of the business

³ Operating profit removes one off cost relating to the exit from South Melbourne

⁴ Wholesale growth on a 100% basis sourced from sales order systems



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second half of FY21. COVID-19 has been difficult to navigate in our venues and restricted growth and profit delivery. This continues to be unpredictable as we have just seen with the recent lockdowns. We continue to focus on the safety of our customers and employees and note that as restrictions are lifted will see further growth acceleration as we return to full capacity. The outlook is very exciting, and we look forward to providing further updates through the back half”.

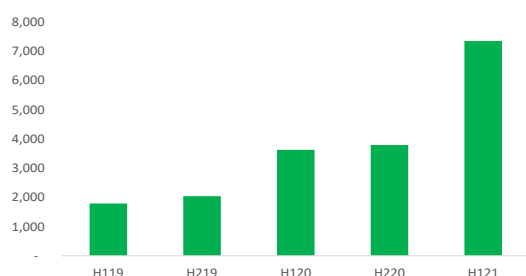
Mighty Craft operates two core sales channels being Wholesale Sales & Distribution and Venues & Hospitality. The business is pleased to provide an update on each area along with Investment highlights.

Wholesale Sales & Distribution:

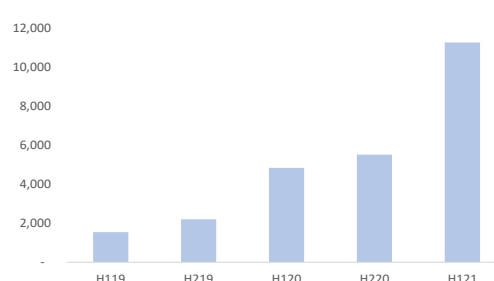
The wholesale business underwent a significant transformation in the first half shifting to a new operating model while setting up a national distribution and warehousing network with Bevchain (Linfox). This is an important change that solves a key issue in the craft beverage sector. Distribution and Warehousing has traditionally been fragmented and inefficient and this is the first national cold store network in the craft beer sector. In time the business will open this network up to the sector more broadly offering an Industry solution and a potential additional income stream.

From a growth perspective, the business continues to accelerate both distribution and sales growth across the portfolio. The wholesale business delivered \$7.4⁵ million in sales in H1 (up 103% vs prior year) Across the two categories Beer delivered \$5.5 million in sales (+85%) and Spirits / RTD's delivered \$1.9 million in sales (+190%) The business expects this growth trajectory to continue especially in Spirits which will accelerate in H2 with significant distribution gains across the Gin portfolio.

Wholesale Revenue 100% basis⁶



Unique Distribution Points⁷



⁵ Wholesale sales is represented on a 100% basis and sourced from MCL / partner sales orders

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⁷ Unique distribution points represent individual store sales by product



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The platform is now set for further growth with an efficient route to market and a model that dramatically simplifies both Mighty Craft's and the retailer's business. Feedback from the retail trade is clear – the Mighty Craft model offers huge potential for retailers to simplify their business and deliver higher customer service through stock management and efficiency.

Venues & Hospitality:

The venue business is growing in scale contributing ~\$5 million in revenue to the H1 result. There are six venues consolidating into the result: Mighty Moonee Ponds, Mighty Hunter Valley, Jetty Road Brewery in Dromana, Jetty Road Lorne, Foghorn Brewery in Newcastle, and Kangaroo Island Distillery, and 13 in the wider group (including minorities). These venues have been impacted by COVID to varying degrees. Victorian venues have been impacted the most (roughly contributing ~50% of normal levels across H1) while the others have performed better. Towards the end of the half most venues were returning close to pre COVID levels however the recent lock down across Victoria has once again affected operations. The business continues to treat the personal safety of customers and employees as an absolute priority and while it is impossible to forecast future impacts of COVID-19, the business is confident its venue strategy will provide strong returns over the medium term.

H1 highlights included:

- Opening of Mighty Moonee Ponds in November showcasing all brands held by Mighty Craft
- The opening of Jetty Road Lorne in December, driving trial and awareness of the Jetty Road brand along the Bellarine Peninsula
- Construction of a new 250-person capacity brewpub under the Slipstream brand in Brisbane (opened on 19 February)
- Expansion of the outdoor area at Jetty Road Brewery in Dromana to accommodate an extra 100 patrons
- Launched a partnership with Upstreet whereby consumers earn fractional shares in Mighty Craft for every purchase across the Mighty Venue network

Investments:

Mighty Craft investment \$4M across H1, largely focused on accelerating growth and consolidating equity positions in the existing portfolio:

- \$1.5M was invested into Slipstream to fund the next phase of growth including the new brewpub in Brisbane which opened on 19 February. On conversion of all notes Mighty Craft's equity position in Slipstream will be 61%.



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- \$1M of funding into Jetty Road to expand the venue footprint in Lorne and accelerate wholesale growth through increased brand investment. On the conversion of all notes Mighty Craft's equity stake in Jetty Road will be 72.7%
- \$1.5M invested into the Mighty Moonee Ponds which opened in November 2020 and showcases all Mighty Crafts brands.

Outlook:

While COVID-19 remains a risk for the venue business, the growth outlook in the back half is strong. Highlights include:

- Significant ranging increases across the spirits business including Green Ant Gin, Bush Apple Gin (new launch), Kangaroo Island Gins (Wild and O Gin) and Brogans Way. As the business mix shifts to spirits, the profit outlook improves
- Kangaroo Island redevelopment – a +\$3M Investment to upgrade the production facility and cellar door and ensure Kangaroo Island Distillery delivers a world class consumer experience on the Island
- Relaunch of the Kangaroo Island Spirits brand along with the official launch of the Seven Seasons brand and product pipeline in Q4 2021
- Upweight brand investment across the portfolio focusing on Jetty Road, Slipstream, Kangaroo Island Spirits and Seven Seasons
- Launch of Craft Hub – a new business incorporated by Mighty Craft which will be aimed at transforming the supply chain for Independent Craft leveraging the unique position Mighty Craft has with retailers and Bevchain. A separate ASX announcement on this will follow giving further details

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



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

mightycraft.com.au/