AUSTRALIAN VINTAGE LTD

Company Announcements
Australian Securities Exchange

24 February 2021

Half Year 31 December 2020 Results

Australian Vintage Limited (ASX: AVG) will host an investor and media conference call commencing at 10.00 a.m. (AEDST) on Thursday 25 February 2021 (dial-in details below). The presentation material will be available at www.australianvintage.com.au.

Teleconference Dial-In Details

Conference Passcode: 701872355220

	Dial-in Number (Toll-free)
Australia	1800672949
Canada	18004344158
China (North)	108006100321
China (South)	108002610321
France	800919766
Germany	8001830411
Hong Kong	800900199
Japan	531610037
Malaysia	1800805746
New Zealand	0800944449
Philippines	180016110259
Singapore	8006161713
Taiwan	801611405
Thailand	18006112848
UK**	8003289967
USA	18883822834

**England, Scotland, Wales, Guernsey, Northern Ireland (Not Rep. of Ireland)

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Australian Vintage Limited Reconfirms Full Year Profit Forecast of between $18 to $20 Million
Half Year Result up 127%

A very strong performance in Australian Vintage Limited's (ASX: AVG) core UK and Australian businesses together with improved production efficiencies enabled AVG to record a 127% Net Profit after tax improvement for the 6 months to December 2020.

Key financial highlights:

- Net Profit after tax (NPAT) up 127% to $13.3 million
- EBIT (Earnings before tax and interest) up 105% to $20.4 million
- EBITS (earnings before tax, interest and SGARA) up 73% to $20.3 million
- Total Revenue up $10.7 million to $148.4 million
- Cash flow from operating activities up $25.3 million to $30.9 million and net debt reduced by $16.2 million to $51.1 million
- Sales of our 4 key brands, McGuigan, Tempus Two, Nepenthe and Barossa Valley Wine Company (BVWC) up 20%
- In line with previous years, no interim dividend declared

AVG's Chief Executive, Craig Garvin said "the result was very pleasing with continued growth in our portfolio of key brands. During the 6-month period our pillar brands of McGuigan, Tempus Two, Nepenthe and BVWC grew by 20%. This growth together with the efficiencies generated from our recent capital spend, investment in our people and the favourable 2020 vintage have underpinned the 127% growth in NPAT. We are committed to our strategic plan and it is showing positive signs for our future.

Covid-19 has had a mixed impact on our business with some increased sales through the major retail chains, but has added costs to our production facilities through segregation of shifts and some challenges with supply chain operations.

Whilst it is difficult to calculate the impact of Covid-19 on the business, our key strategies should continue growth post Covid-19. Innovation and consumer engagement is key to this growth, and we have seen this in our Australian and UK business where we are working hard with our customer partners to drive our portfolio. The McGuigan Zero range has been an outstanding success and demonstrated the importance of innovation to the portfolio long term. This, together with the $3.3 million half year benefit from production efficiencies resulting from our recent capital expenditure and the improved 2020 vintage, is sustainable for the long-term future and not Covid-19 dependent.

In the UK, our business performance has been very strong driven by our brand investment in the McGuigan brand and continued distribution gains in major retail. Brexit has been agreed and overall, the Brexit deal will not have a material impact on our business. As of today, the UK remains in lock down and our sales remain strong in that region. Recently we agreed terms on the introduction of the Tempus Two brand into major UK retail which should further increase our sales into the UK and ensure our portfolio expansion strategy. This is not Covid-19 dependent. Overall, we will continue to invest in brand marketing at a higher rate than previous years".

PERFORMANCE BY SEGMENT

UK, Europe and Americas

The UK, Europe and Americas segment has performed exceptionally well with contribution up 76% to $10.7 million. This is despite a $1.0 million negative impact due to the unfavourable GBP when compared to the prior period. The McGuigan brand continues to grow with sales up 21% compared to the prior period. What is even more pleasing is that most of this McGuigan brand growth has come from improved sales mix. Sales of the higher priced McGuigan Black Label and Reserve ranges have increased by 30%. Sales of some of our second-tier brands have declined during the period and is in line with our major brand investment strategy.

The growth in the UK market is not finished and we will be increasing our footprint in the UK and investing heavily in marketing and advertising over the next 6 months and seeing the increased distribution of the Tempus Two brand.

Americas remains a challenge with this division reporting a slight loss for the period. Recent changes to the leadership structure of the Americas division and a change in strategy should see improvement in the medium term.

Australia and New Zealand

The Australian and New Zealand segment has also performed very well with contribution up 90% to $7.5 million. The McGuigan brand has grown by 11% due to the performance of our recently introduced McGuigan Zero range which is outperforming expectation. Tempus Two continues to grow with sales up 33%, Nepenthe grew by 18% and BVWC grew by 160% from a low base. Our cellar doors and clubs were also a contributor to the improved performance of this segment.

Asia

Overall, we have minimal exposure to the China slow down. With the recent China tariff increase, because of the Anti-Dumping and Countervailing Duties investigations, the company has made very few sales to mainland China. Sales to other regions within Asia have been going well with sales up 7%. The Asian segment contribution decreased by 38% to $0.1 million.

AVG remains committed to the China market with the support from our major China based distribution partner who will continue to distribute the McGuigan brand. However, after a strategic review of our distribution arrangements for our Tempus Two brand, the distribution agreement with Vintage China has been terminated.

Australia/ North America Bulk and Processing

Whilst sales in the segment declined by $2.4 million, the contribution increased by $1.2 million due to the removal of loss-making bulk wine sales and the improved performance of our Austflavor business.

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Vineyards

Vineyard contribution improved by $1.9 million due to the expected increase in SGARA (Self Generating and Regenerating Assets). Current indications are that the 2021 crop from our vineyards will be up on last year. Weather conditions have generally been favourable and with improved water availability, the cost of water has reduced.

OUTLOOK

The result for the 6 months to December 2020 is in line with the strategic plan as we leverage the past asset investments. As we invest in our key brands and people capability, we not only grow sales, but improve the mix of sales and drive an improved balanced scorecard for the long term.

Whilst Covid-19 appears to have had an overall positive impact on our business, a significant portion of the growth in our half year result has come from long term sustainable strategies such as innovation, people capability, improved consumer trading technology and improved production efficiencies.

Our cash flow from operating activities of $30.9 million for this half has exceeded any prior cash flows generated in the last 10 years for a full financial year and the Company is well on the way to achieving a $40 million operating cash flow for the full year.

AVG regularly reviews its balance sheet to ensure that the Company has an efficient capital structure. With the expected further reduction in our debt, AVG will undertake a capital management review in the second half of FY21, which could conclude that a share buy-back or capital reduction is the appropriate action to take. Any capital management restructure will ensure that the Company has flexibility to pursue growth opportunities and ensure its credit metrics are maintained.

The 2021 vintage is in process and early indications are that yields will be up on last year's vintage.

As advised at the November 2020 Annual General Meeting the Company remains on target to achieve a full year net profit after tax of between $18.0 million and $20.0 million subject to no material change to current exchange rates, no further deterioration in the various economies due to Covid-19 and a normal vintage. This profit forecast reflects an improvement of between 67% and 85% on last year and a Return on Capital Employed of between 6.8% and 7.4%.

For the purpose of ASX Listing Rule 15.5, Australian Vintage Limited confirms that this document has been authorised for release by the Board.

ENDS

Further information

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