



## Mighty Craft delivers record revenue growth in Q3 +277% vs Q3 FY20

27 April 2021

ASX Announcement

Mighty Craft Limited (ASX:MCL) (**Mighty Craft** or the **Company**) is pleased to provide a business update for the quarter ended 31 March 2021 (Q3 FY21) and Appendix 4C.

### Highlights:

#### *Financial Performance*

- Mighty Craft delivered record receipts of **\$10.8 million for the quarter**. This compares to receipts of \$2.4 million in the corresponding period last year (“pcp”) representing **+360%** growth
- Sales revenue growth (as opposed to cash receipts) was **+277%** for the quarter
- Wholesale growth continued to track well ahead of market with beer and spirits/RTD delivering +74% and +193% growth respectively for Q3, representing a significant increase on pcp with acceleration in growth expected to continue into FY22
- Accelerated sales of the higher margin spirits and RTD beverages, through a strategic rebalancing of the beverage portfolio, increased their share of wholesale sales to 34% from 23% in the prior quarter
- In retail, brand specific venues performing well, back to pre-covid levels; performance of Mighty branded venues is improving with a renewed focus on achieving optimal trading levels
- Balance sheet capacity strong with \$11.7M million cash on hand
- Significant improvement in operating cash outflow for the quarter of \$(1.4) million versus \$(6.3) million in the previous quarter

#### *Strategic*

- Mighty Craft is excited to launch Seven Seasons, an Indigenous backed spirits brand, with plans to roll out its gin and vodka range, featuring unique native ingredients
- Commenced the \$3.5 million redevelopment of the Kangaroo Island Distillery into a destination craft distillery venue/cellar door and one of Australia’s largest craft distillery operations. \$0.5 million will be funded via a grant from the SA Tourism commission announced in March
- Mighty Craft is now a 32% shareholder in Sparkke; Mighty Craft will underwrite \$500,000 of the Sparkke Rights Issue of up to \$3 million

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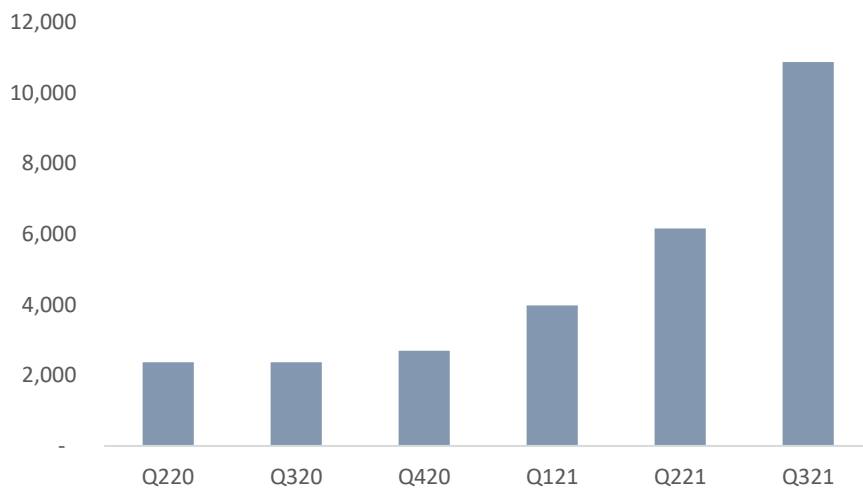
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**Financial Performance: Wholesale**

*Sales Growth*

Mighty Craft’s transition to acting as the distributor for all of its investee partners, through leveraging the partnership with Bevchain, has delivered a significant uplift in sales, demonstrated by consecutive record sales results in the past two quarters. As outlined in the below chart, Mighty Craft’s growth is accelerating with Q3 delivering a record \$10.8 million in receipts, with this growth trend expected to continue into Q4 and early FY22.

**Quarterly Receipts since IPO**



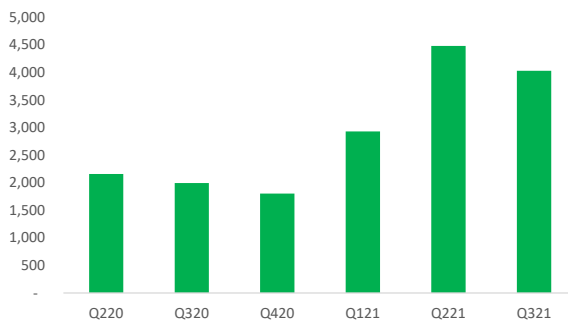
Mighty Craft outperformed the market in Q3, in both the beer and spirits, categories as outlined below:

Q3 FY21 Category Growth	Industry Growth	MCL Growth
Beer	+7%	+74%
Spirits	+18%	+193%

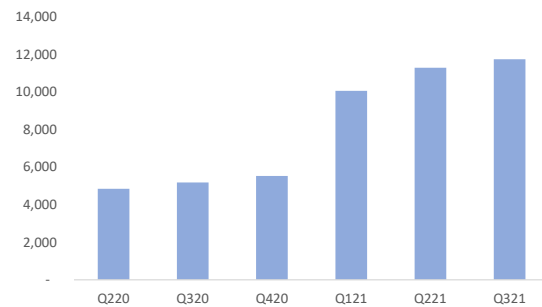
Source: IBISWorld/Frost & Sullivan Estimates (24/10/19)

Mighty Craft’s spirits/RTD range has experienced exponential growth over the past quarter and has been a key driver of overall growth for Mighty Craft. The Company is delivering on its strategy to shift the sales mix towards the higher margin, higher growth spirits/RTD category, with the category now representing 34% of wholesale sales, compared to 23% of sales in the prior quarter. The NoSH Boozy Seltzer, from our incubator business, Torquay Beverage Company, was a standout performer, having only launched last quarter, with sales of \$0.5 million since launch (4 months). The Company continues its initiatives to capture more of the fast-growing spirits/RTD market by expanding its offering, and production capacity, in the spirits/RTD category, as demonstrated by the Seven Seasons launch and the redevelopment of the Kangaroo Island Distillery (details below).

### Wholesale Revenue 100% basis



### Unique Distribution Points



### **Retail - Venues & Hospitality**

Retail Venue's contributed \$4.5m in sales growing at +151% vs Q3 FY20. The brand specific venues, namely Jetty Road in Dromana and Lorne, Slipstream in Brisbane and Foghorn in Newcastle, are performing well and are back to pre-covid trading levels. The performance of the two Mighty branded venues is improving, albeit the venues are currently at 70% of optimal trading levels. The venues currently contribute ~45% of sales and management strongly believe the venues will strengthen their respective brand identity and contribute to a direct uplift in wholesale sales growth.

### **Cash Flow**

#### Operating

The net cash flow from operating activities of \$(1.4) million for the quarter was in line with forecast, representing a significant improvement on the previous quarter's net cash flow of \$(6.3) million. This improvement was due to Mighty Craft's transition to a streamlined distribution model, along with growing receipts and nearing completion of the onboarding of key commercial personnel.

#### Investing

The net cash flow from investing activities was \$(2.9) million during the quarter and was mainly driven by the investment in Kangaroo Island Distillery. As previously announced the total investment in the distillery will be \$3.5 million to upgrade the production facility and cellar door. Upon completion of the upgrade, Kangaroo Island Distillery's production capacity will be one of the largest in Australia. Additionally, the Company invested in the beer brands with the opening of the Slipstream venue, participating in the Ballistic capital raise and some minor working capital loans to partners on an arm's length basis.

Overall, the group cash movement for the period was a \$(4.5) million outflow (incorporating a minor net cash outflow from financing for the quarter), with closing cash on hand of \$11.7 million, putting the Company in good stead to continue to fund its growth strategy.



## Strategic Highlights

### *Key Brand Investments:*

#### *Seven Seasons Launch*

Mighty Craft is pleased to announce the official launch of the Seven Seasons spirits brand. Seven Seasons is an Indigenous backed spirits business that Mighty Craft has been developing in collaboration with Daniel Motlop, an Indigenous Larrakia Australian rules footballer who played a total of 130 senior games in the Australian Football League (AFL). Mighty Craft will be launching, via its national distribution network, Seven Season's initial products comprising Green Ant Gin, Bush Apple Gin and Native Yam Vodka, all of which feature unique native ingredients harvested by the Larakia people of the Northern Territory. The initial Seven Season's gin products will be stocked in over 2,000 distribution points nationally this month and the vodka product will shortly follow in June. The national roll out of Seven Season's products will be accompanied by a significant media campaign that will have a reach of 19 million consumers.

#### *Kangaroo Island Distillery Redevelopment*

The redevelopment of the Kangaroo Island Distillery has commenced this past quarter, with \$3.5 million expected to be invested in total to transform the site into a destination craft distillery /cellar door and significant production facility. The resulting production capacity of 300,000 Gin bottles and 200,000 Whiskey bottles per annum will make Kangaroo Island Distillery one of the largest craft distilling operations in the country, supporting up to \$35 million in sales per annum. It is expected the new Gin and Whiskey capacity will be commissioned and in production by the second quarter of financial year 2022.

Mighty Craft is also investing in the relaunch of the Kangaroo Island Spirits brand which has entailed a redesigning of the brand and product to meet consumer preferences. The newly branded products will launch during Q4 and will be available across the eastern seaboard.

#### *Slipstream Opening*

Mighty Craft was excited to open the doors of its new Slipstream Brewing Co venue in Q3. The venue is off to a strong start already trading at close to full capacity and profitable. Mighty Craft seeks to drive brand awareness and strength through its investment in brand-specific venues, as well as delivering cashflow across the group, and the recent opening of Slipstream is in line with this brand investment strategy.

#### *Sparkke Update*

Further to the Company's ASX announcement regarding Sparkke, dated the 15th of February 2021, Mighty Craft has now converted \$1.5 million of the convertible "Note A" into equity, resulting in a 32% shareholding in Sparkke. The remaining \$0.5 million value of Note A is convertible at \$0.03 on or before September 2021. Sparkke has also finalised the documentation for the proposed Rights Issue in Sparkke to raise up to \$3 million, of which Mighty Craft will underwrite \$500,000. Mighty Craft is proud to be strengthening their partnership with Sparkke and believes the brand has enormous potential, both in Australia and overseas, given its unique positioning, passion for championing women in business and



high-quality drinks. Sparkke's Full Circle brand also has created a new sustainability-based spirits brand and income stream. The funds raised from the abovementioned raisings will facilitate the next phase of Sparkke's growth, particularly returning its brand specific venue, The Whitmore, back to pre-COVID trading levels and wholesale growth of its brewed product range and the new "Full Circle" range.

**Commenting on the quarterly update, Mighty Craft Managing Director, Mark Haysman said:**

"The growth acceleration the business has experienced during Q3 is very pleasing and is, in part, a testament to the strength of MCL's new distribution model that we implemented earlier in the financial year. Also, we have to give credit to the quality of our premium craft beverage portfolio, with our spirits/RTD brands capturing significant market share in a rapidly growing market, underpinned by market outperforming growth across both our beer and spirit portfolios. The investment we have made in our nationally diversified portfolio of brands, supply chain and distribution network, along with our in-house expertise in beverage sales and marketing, means we are set to create, Australia's leading and most admired premium, craft beverage company and these latest results have moved us closer to realising our vision."

**Outlook for the remainder of FY21**

- Continued sales growth momentum as MCL's strategic plans are executed
  - Growth across the spirits/RTD category is expected to lead the growth over the coming quarters driven by Seven Seasons and Kangaroo Island Spirits
  - Similarly, growth acceleration in wholesale beer expected to continue driven by Ballistic, Jetty Road and Slipstream.
  - Investment in the launching/relaunching of Seven Seasons and Kangaroo Island Spirits brands will continue into the next quarter. Kangaroo Island Distillery redevelopment will continue throughout the remainder of FY21 and into FY22
- Disciplined acquisition approach focussing on geographical spread of beer brands and expanding into the high growth, high margin spirits segments
- Path to Profit – continual shift in sales mix to higher margin, higher growth spirits/RTD category, along with controlling overhead costs, as the business drives towards breakeven in H2 FY2022

\* \* \*

Mark Haysman  
**Managing Director**  
investors@mightycraft.com.au

Georgie Morell  
**Investor Relations**  
[georgie.morell@baldwinboyle.com](mailto:georgie.morell@baldwinboyle.com)  
+61 438 008 383

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

### About Mighty Craft

Mighty Craft (ASX:MCL) is a craft beverage accelerator with a nationally diversified portfolio of craft beverages. It has built a unique infrastructure and distribution offering that enables the company to scale production, distribution and sales as it seeks to become Australia's leading premium craft beverage company. Mighty Craft is achieving its vision by strategically investing in craft beverage producers, with celebrated local brands, and providing them with leadership, growth capital and industry solutions to maximise brand awareness and accelerate growth, whilst achieving scale. Mighty Craft is proud to be taking local Australian craft beer and spirits brands to customers Australia wide and abroad.

[mightycraft.com.au](http://mightycraft.com.au)

### Financial:

Pursuant to Listing Rule 4.7C2 the Company confirms that during the period since listing on the ASX on the 17<sup>th</sup> of December 2019 expenditure is largely in line with the Use of Funds set out in the prospectus with a Summary shown in the Table below:

Use of Funds under the Prospectus		Use of Funds per Prospectus (\$M)	Actual use of Funds (\$M)
CAPEX for Jetty Road and Foghorn	1	1.4	1.0
Complete the acquisition of additional craft Breweries and Distilleries, including Ballistic, Slipstream and Sparkke Investment	2	4.3	5.9
Acquire Interests in, or accelerate the development of additional hospitality venues	3	5.9	6.6
Investment in Sales Collective, export capabilities, product and development and general corporate expenses	4	7.4	7.6
Additional Funds for Investment and Working Capital	5	8.6	6.6
Cost of the Offer	6	1.4	1.4
<b>TOTAL</b>		<b>29.1</b>	<b>29.1</b>

- 1) Jetty Road production expansion has been completed with new tanks and a canning line installed and commissioned. Expenditure is in line with what was planned for in the Prospectus
- 2) Expenditure on acquisitions has included payments for Slipstream (0.5m) and Ballistic (0.85m) along with a Convertible note in Sparkke (2m) and Jetty Road (1.2m) On top of this the acquisition of Kangaroo Island Distillery was not included in the prospectus (2m)
- 3) Development or acquisition of further Hospitality venues has included development of Moonee Ponds (2.5M) and Sauce in Cairns (0.5m) along with the acquisition and investment in the Mighty Hunter Valley (2.5m)
- 4) Investment in the Sales Collective, product (marketing), export and general corporate expenses is tracking largely as planned. Included in this category is investment in Digital Infrastructure)
- 5) Additional funds for Working capital – remaining balance of \$11.7 as at 31<sup>st</sup> March 2021

## Mighty Craft unaudited 3Q FY2021 cashflow statement in respect to the financial year ending 30 June 2021

Summarised cash flow; A\$'000	Current quarter \$A'000	Year to date (9 months) \$A'000	3QFY2021 commentary
<b>Cashflows from Operating Activities</b>			
Receipts from customers	10,879	21,190	Strong increase in cash receipts up +360% vs Q3 FY20
Payments to suppliers & employees	(10,373)	(27,251)	Investment in organisational capability and business growth (Cost of Goods)
Other	(1,938)	(2,899)	Largely marketing & advertising costs
<b>Net cashflow from / (used in) Operating Activities</b>	<b>(1,432)</b>	<b>(8,961)</b>	
<b>Cashflows from Investing Activities</b>			
Payments made to acquire entities	0	(72)	
Payments made for PP&E	(2,114)	(5,419)	Kangaroo Island (\$1.0m), Slipstream (\$1.1m) development
Payments made for Investments	(450)	(1,450)	Ballistic capital raise
Other	(355)	157	
<b>Net cashflow from / (used in) Investing Activities</b>	<b>(2,919)</b>	<b>(6,785)</b>	
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities	(0)	9,181	
Proceeds from Borrowings	0	7,526	
Transaction costs / Other	(178)	(648)	
<b>Net cashflow from / (used in) Financing Activities</b>	<b>(178)</b>	<b>16,059</b>	
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>(4,529)</b>	<b>313</b>	
Cash and cash equivalents at beginning of period	16,221	11,379	
Net cash from (used in) operating activities	(1,432)	(8,961)	
Net cash from / (used in) investing activities	(2,919)	(6,785)	
Net cash from / (used in) financing activities	(178)	16,059	
Cash and cash equivalents at end of period	11,692	11,692	
<i>* The statement of cashflows is unaudited and is subject to rounding</i>			

Note – as per ASX listing rules in the Appendix 4C under item 6.1 there is 488k worth of payments to related parties and their associates. Included in this amount are the cost of Directors who sit on the executive team (Mark Haysman, Stuart Morton, Daniel Wales) CFO (Andrew Syme) and consulting costs associated with Catalyst (an entity associated with Mark Haysman) and Humanee Pty Ltd who provide transactional accounting services to Mighty Craft and is an entity associated with John Hood.