

31 January 2022

ASX Announcement

## QUARTERLY REPORT – 31 DECEMBER 2021 (Q2 FY2022) Strategic Transactions Deliver Substantial Growth

### HIGHLIGHTS

- **Operating revenue** of \$5.4 million in Q2 FY2022, up 78% on the prior quarter Q1 FY2022 (up 736% on Q2 FY2021). This includes only three weeks of revenue contribution from Kaddy, which was successfully acquired on 8 December.
- **Operating metrics – across combined platform:**
  - **Trading: GMV** (including Kaddy for three weeks of December) of \$1.6m up 615% on the prior quarter.
  - **Fulfilment: Cases Shipped** (excluding Kaddy) of 382k, up 79% on the prior quarter (up 743% on Q2 FY2021).
  - **Active Suppliers** (including Kaddy) of 1,093, up 74% on the prior quarter (up 344% on Q2 FY2021).
- **Kaddy acquisition** completed leading to transformational strategic positioning for the platform, and structural growth in trading GMV and revenue, including new suppliers and customers.
- **Supply chain infrastructure:** National Distribution Centre (NDC) sale and long-term leaseback binding agreements signed. This transaction is expected to release \$4.6m of cash to the Company in February 2022, consisting of:
  - ~\$3.5m one-off capital gain generated through the sale process; and
  - ~\$1.1m of previously invested capital expenditure, that will be returned through a long-term funding agreement provided by the new landlord.
- **Strategic operational developments:** WINEDEPOT INSIDER launched in the quarter, WINEDEPOT Adelaide presence, WINEDEPOT DIRECT and Parton Wine Distribution acquisition first full quarter of revenue contribution.
- **Cash at bank** of \$8.4m at 31 December 2021. A cash inflow of circa \$4.6m is expected in February from the purchase, sale and long-term leaseback of the NDC.

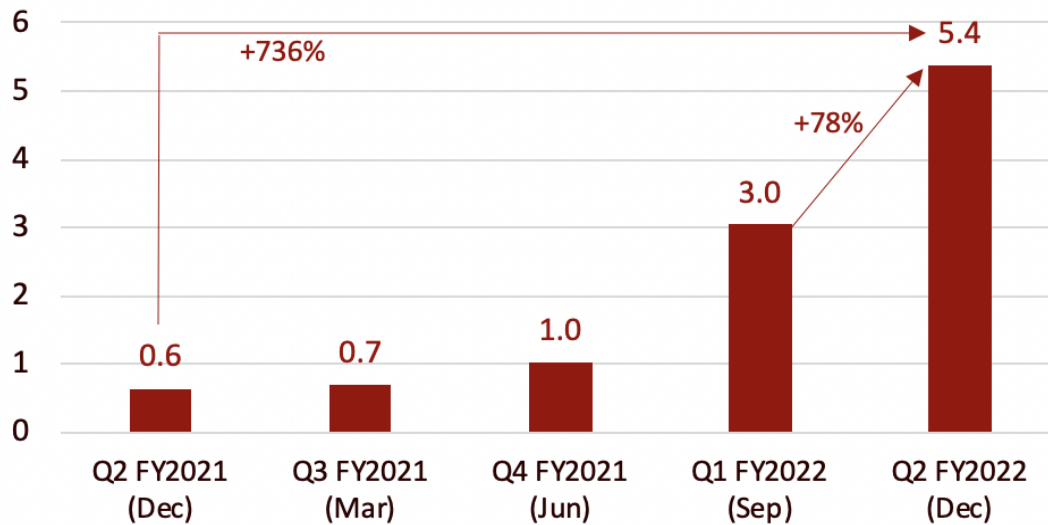
**DW8 Limited** (DW8: ASX), or the "**Company**", an integrated trading, payment & order fulfilment platform that allows beverage suppliers to connect with buyers, simplify operations and deliver a superior fulfilment experience, is pleased to provide a summary of activity undertaken in the December quarter, Q2 FY2022.

### KEY FINANCIAL RESULTS

**Operating Revenue:** DW8 generated \$5.4m in **Operating revenue** in Q2 FY2022, up 78% on the prior quarter Q1 FY2022 and up 736% on Q2 FY2021. The December quarter is seasonally DW8's busiest quarter.

The revenue contribution from the acquisition of Kaddy was only for the last three weeks of December (from 8 December 2021).

### Operating Revenue (\$m)



### OUTLOOK

DW8 CEO Dean Taylor said, “Over the last six months we have successfully completed two strategic acquisitions that significantly strengthen our operational capability, market penetration and customer value proposition.

Overlaid across our existing vertically integrated assets, these two acquisitions have also driven substantial top line growth which we expect to continue over the remainder of this financial year as the network effect generated from hundreds of new suppliers and buyers joining our platform kicks in.

Parton Wine Distribution, acquired in August 2021, contributed a full quarter of revenue for the first time. Despite the challenging and ever-changing trading conditions due to Covid 19, the business unit performed very well, setting a number of order fulfilment records in November and December.

Kaddy, acquired in early December, provided just three weeks contribution to the December GMV and revenue results. Their combined full contribution will be seen for the first time in the March quarter results. On a proforma basis, key metrics of this business unit have grown very substantially.

Importantly, the material increase in our combined supplier base from both acquisitions provides a large opportunity to drive further growth through the cross selling of our trading and fulfilment solutions. The integration of both Kaddy and Parton into the existing technology platform will be a key enabler of these synergies.

A number of other major initiatives are underway which will continue to build out the two key components of our platform and strengthen our offering. These are highlighted in the Operational Update in this report.

Beyond the acquisitions, organic growth across both trading and fulfilment platforms remains strong. The expected onboarding of some larger suppliers over the coming months should help offset the seasonally softer trading conditions that are typically experienced by the beverage industry in the March quarter. We expect the operational and fiscal impacts from Covid-19 on the platform, both positive and negative, to remain consistent over the next quarter.

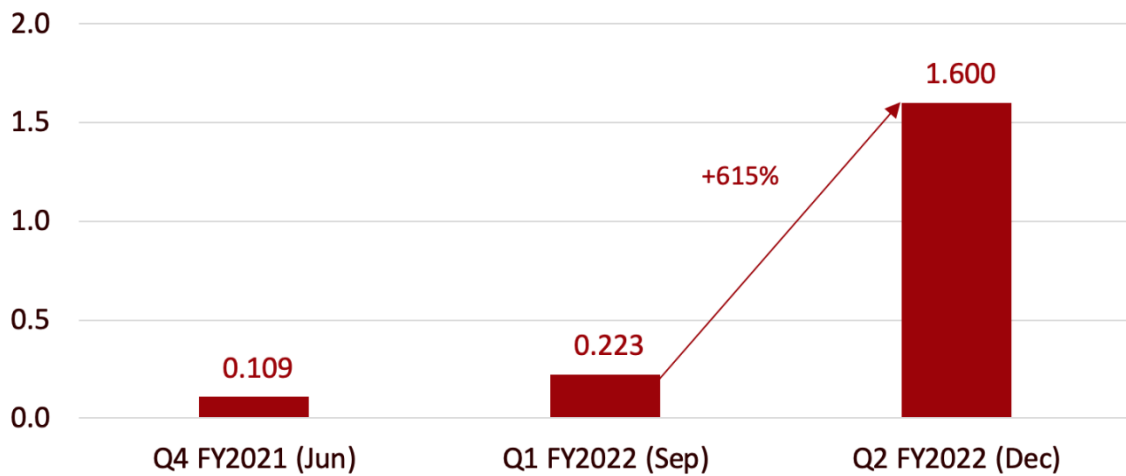
We are also very pleased to have signed agreements to effect the sale and leaseback of our NDC which will lead to a sizable cash profit expected to be received in February alongside the release of some previously invested capital expenditure that will be returned through a funding agreement.”

## OPERATING METRICS – ACROSS PLATFORM’S TWO KEY COMPONENTS:

### 1. TRADING PLATFORM

- **GMV** of \$1.6m was up 615% on the prior quarter – significant growth from recently acquired Kaddy marketplace (whose contribution was for only for the last three weeks of December).
- Underlying GMV growth across the **WINEDEPOT** platform on a standalone basis was up 46.1% on the prior quarter.

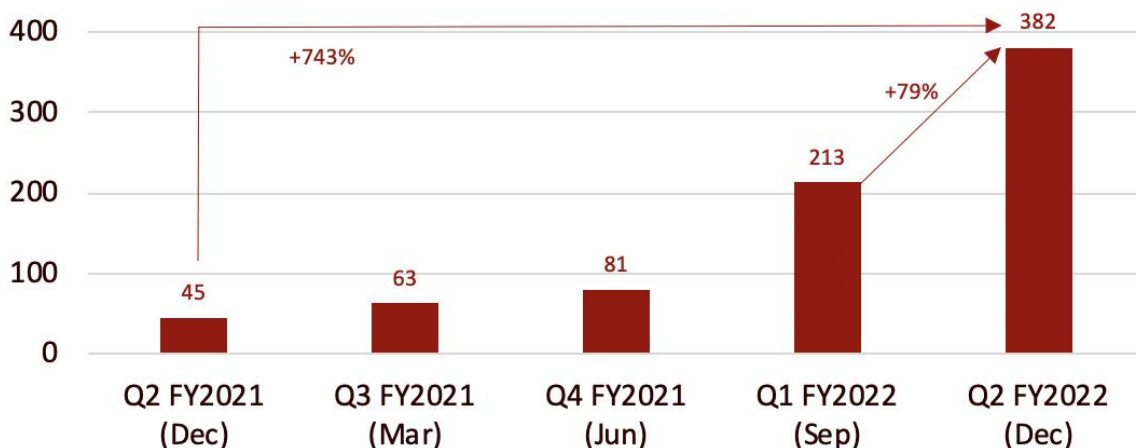
**Total Market Place GMV (\$m)**



### 2. FULFILMENT PLATFORM

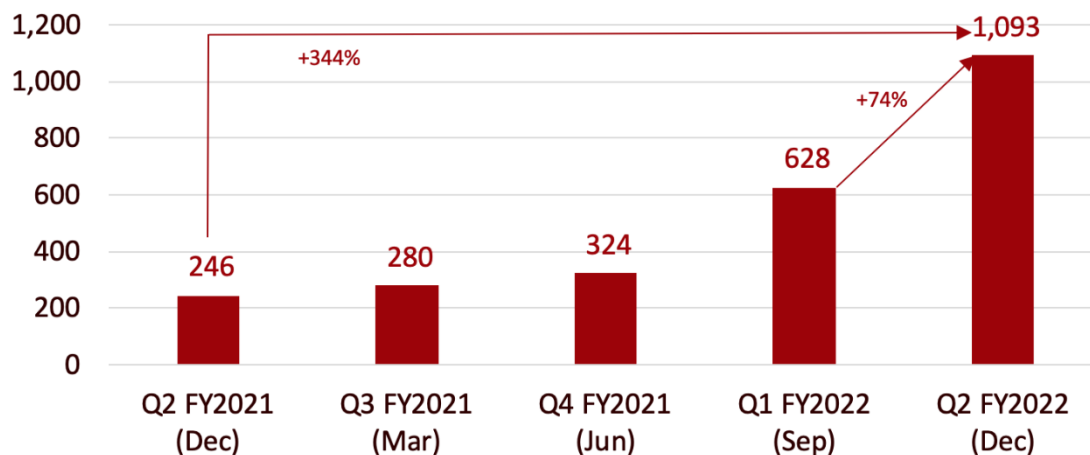
- **Cases shipped** during the quarter was 382k, up 79% on the prior quarter (up 743% on Q2 FY2021).
- Note this does not yet include any contribution from the recently acquired Kaddy marketplace which currently does not provide fulfilment services.
- The average number of cases shipped per order fulfilled was 3.74, up 27.8% on Q1 FY2022.

**Cases Shipped ('000)**



- **Active Suppliers** using the Company’s platform, including Kaddy, increased to 1,093, up 74% on the prior quarter (up 344% on Q2 FY2021).

## Active Suppliers



## OPERATIONAL UPDATE

### 1. TRADING PLATFORM

- MARKETPLACE** (direct-to-trade marketplaces including “WINEDEPOT Market” and “Kaddy”) DW8 significantly bolstered its direct-to-trade marketplace capability during the quarter through the successful acquisition of Kaddy. Development work has already commenced to integrate Kaddy into the CONNECT platform, with the view of it becoming the Company’s primary direct-to-trade marketplace offering by Q4 FY2022. Kaddy’s entire team is expected to relocate into DW8’s Sydney head office in February.

While new buyer growth across both marketplaces during the December quarter was solid, the expected lift in trading activity from the re-opening of venues which were closed due to Covid-19 was not as strong as expected due mostly to the outbreak of the Omicron variant.

- DIRECT** (direct-to-consumer sales via 3rd party marketplaces) The ‘DIRECT’ sales channel manager module was launched on 10 August 2021. The module provides platform users the ability to list their products for sale on a growing list of 3rd party direct-to-consumer e-commerce platforms and marketplaces including eBay, Vivino and Amazon (yet to be launched)

Sales generated from these DTC channels are then automatically fulfilled for the suppliers.

- INSIDER** (industry focused ‘staff drinks’ membership program) ‘INSIDER’ was soft launched to DW8 shareholders in November 2021. The intention is to expand and enhance the program over the next 12 months providing ‘INSIDERS’ access to:
  - Wine and other beverages at highly competitive prices
  - Tastings, dinners, educational programmes and other events
  - A news feed and rich information resource covering everything going on in the industry

At this stage only DW8 staff and shareholders have been provided access to the program. The program will be expanded to the broader industry later this year once Kaddy has been fully integrated into the platform allowing all their suppliers access to the sales channel.

\*\*\* See end of this announcement for our special offer to shareholders! \*\*\*

## 2. FULFILMENT PLATFORM

- **CONNECT** (order, inventory, payment & technology integration manager)  
CONNECT is an online portal that we have developed that provides our suppliers to access the products and services offered by the Company. It sits at the heart of our unique integrated technology platform. The first generation of CONNECT was launched in September 2019 as a 'freemium' product with users not required to pay access fees. The second generation of the CONNECT platform is currently under development and is scheduled to be launched in the June quarter. It contains enhanced features that will pave the way for a 'premium' subscription to be introduced, commercialising the product.
- **3PL NETWORK** (formerly Parton Wine Distribution, a city-based warehousing & logistics service):  
DW8 has been very pleased with the performance of the Parton business since it was acquired in mid-August 2021. There has been negligible turnover in either staff or suppliers, and it has continued to grow revenue despite uncertain trading conditions.  
WINEDEPOT's existing 4PL customers have been relocated into the respective Parton sites releasing significant synergies. Both Parton and WINEDEPOT's underlying organic supplier growth rates have been maintained. Several capital expenditure projects are under way which will release further operational efficiency and operating expense savings.  
Parton significantly adds to DW8's key performance metrics in terms of order volume, number of suppliers, logistics delivery capability (dedicated delivery fleet servicing Sydney, Melbourne and Perth metro areas) and warehousing. See [ASX Announcement 19 July 2021](#).  
DW8 expanded its 3PL Network during the quarter, opening a directly controlled site in Adelaide. Now the site is operational, it is expected to fill quickly as suppliers utilising our fulfilment services in other states take advantage of our controlled presence to offer their customers higher service levels.
- **COLLECT SERVICE** (formerly Wine Delivery Australia, ex cellar door fulfilment service)  
The planned expansion of the COLLECT model into other states has been delayed by operational and interstate travel constraints related to Covid-19. The Company expects to resume the roll out program in 2022 focusing on Victoria & New South Wales, once all the state borders fully reopen.

## TRANSACTIONAL UPDATE

### KADDY Acquisition

The acquisition of 100% of Kaddy in the final calendar quarter of last year was completed following shareholder approval (see [ASX announcement 8 December 2021](#)). Kaddy is Australia's leading wholesale beverage marketplace, and the acquisition both allows DW8 to penetrate deeper into the wholesale beverage market and brings a network of over 2,000 registered wholesale customers and more than 450 suppliers. For further information about the acquisition of Kaddy, see [ASX announcement](#) and [Investor Presentation](#) of 15 October 2021.

### National Distribution Centre

The Company entered into binding agreements to effect the purchase, sale and long-term leaseback of its NDC in Barnawartha, Victoria (7,250 sqm warehouse with potential to expand by a further 10,770 sqm).

A one-off cash profit of ~\$3.5m net of costs will be generated at settlement, which is expected in February. A further ~\$1.1m of recently invested capital will also be released at settlement, through a long-term

funding agreement provided by the new landlord for the state-of-the-art temperature control systems that have been installed at the NDC.

The transaction strengthens WINEDEPOT's competitive position within the Australian market, allowing orders processed to be delivered next day to 85% of Australia's population. See [ASX announcement 24 December 2021](#).

## **CORPORATE**

**Annual General Meeting (AGM):** The Company held its AGM on Tuesday 30 November 2021 passing all resolutions. The Results of Meeting can be viewed [here](#). The AGM Presentation can be viewed [here](#).

**Related Party Payments:** During the quarter, the Company made payments of \$167k to related parties and their associates. These payments relate to the existing remuneration agreements for the Executive and Non-Executive Directors.

**Cash position:** DW8 held AU\$8.4m cash at bank as at 31 December 2021.

The Company expects to receive a cash inflow of ~\$4.6m in February 2022 from the sale and long-term leaseback of its National Distribution Centre (as outlined earlier in this report).

**Operating expenditure:** In FY2022 Q2, Net Cash from Operating Activities outflow were AU\$3.6m (Section 1.9, Appendix 4C) and gross operating expenses were AU\$10.8m (Section 1.2, Appendix 4C)

**Financing activities:** During the quarter, the Company completed a private placement raising \$12.625m (before costs) and a Share Purchase Plan raising \$1.784m to support the Kaddy acquisition. There were various option exercises, and the Directors completed their participation in prior placements after obtaining shareholder approval at the Company's AGM dated 30 November 2021.

END

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

### **\*\*\* SHAREHOLDER SPECIAL OFFER \*\*\***

**DW8** provides a range of benefits for employees within the broader hospitality industry, including highly competitive prices on alcohol purchases, under an invitation only membership program called INSIDER.

DW8 shareholders holding more than 10,000 shares are eligible to participate in the program. Shareholders wishing to access the program should register at <https://market.winedepot.com>

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coverage

#### **For more information about DW8:**

Website: [www.dw8.com.au](http://www.dw8.com.au)

Blog: [www.digitalwine.ventures/blog](http://www.digitalwine.ventures/blog)

Media Coverage: [https://winedepot.com/media-](https://winedepot.com/media-coverage)

## DW8 Limited (ASX: DW8)

DW8 is an Australian publicly listed technology company that operates an integrated trading, payment & order fulfilment platform that allows beverage suppliers to connect with buyers, simplify operations and deliver a superior fulfilment experience.

Our unique and innovative technology platform is central to DW8's success which has enabled the Company to establish Australia's leading beverage marketplace and drive the digital transformation of the local beverage industry.

Operating under our motto '*Let drinks flow*', our core operating brands are:



**WINEDEPOT** (winedepot.com), a technology enabled beverage fulfilment solution

**KADDY** (kaddy.com.au), a B2B wholesale beverage marketplace.

DW8 plans to solidify its presence in Australasia before expanding the platform into other key markets such as the UK, Europe, USA, Canada, Hong Kong and Singapore.

The Company generates revenue via:

- Trading fees (% of the transaction value)
- Fulfilment fees (storage, picking, packing, handling & freight)
- Subscription fees (charged per user accessing its platform)

### APPENDIX – Glossary

Term	Definition	Calculation/Comment
GMV	Gross Merchandise Value	GMV is a non-IFRS measure, it represents the total value of transactions processed by WINEDEPOT and Kaddy marketplace businesses on a cash basis, before deducting incentives, cancellations and refunds, chargebacks, discounts. It excludes GST.
Operating Revenue	Management's core measure of revenue	Operating Revenue is revenue recognised in accordance with AASB15. It does not include any incentives or discounts offered to new suppliers. It excludes GST
Suppliers - Active	Management's leading indicator of the number of active suppliers that are now generating revenue.	Active Suppliers are suppliers that have registered on our platform/s and started to use products and services offered by the company.

### Forward-Looking Statements

*This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning DW8 Limited's planned operations and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although DW8 Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.*