

Mighty Craft achieves +91% sales growth in Q2 FY23, delivering maiden positive cash result

Mighty Craft Limited (ASX:MCL) (**Mighty Craft** or the **Company**), a craft beverage accelerator with a nationally diversified portfolio, is pleased to provide a business update for the quarter ended 31 December 2022 (Q2 FY23) and Appendix 4C.

Q2 FY23 HIGHLIGHTS:

- **Unaudited group revenue of \$31.2¹ million, +91% versus prior corresponding period (“pcp”)**
- **Cash receipts of \$33.1 million², +87% versus pcp**
- **Positive net cash of +\$0.6 million, including positive net cash from operating activities of +\$1.6 million**
- **Record Better Beer sales, achieving 3.2 million litres in Q2 FY23 (+687% versus pcp) and has now achieved in excess of \$50 million in retail sales value³ in the last 12 months**
- **Better Beer on track to deliver 10 million litres during first full year of trading**
- **Wholesale performance robust across categories, led by beer and cider**
 - **Beer & cider – 4.3 million litres sold (+177% versus pcp)**
 - **Spirits – 109,993 bottles sold (+22% versus pcp)**
- **Profitable growth across venues as hospitality operating conditions reflect ongoing improvement (~18% hospitality EBITDA margins across Q2 FY23)**
- **Whisky under maturation exceeds ~400,000 litres**
- **Positive Q3 FY23 outlook across both wholesale and venues with peak trading momentum to continue in line with seasonal trends**
- **\$6.3 million cash balance as at 31 December 2022**
- **Ongoing capital management focus, divestments amid simplified strategy**
- **Investor webinar to be held 11:00am AEDT Monday, 30 January ([register here](#))**

Mighty Craft’s Managing Director and CEO, Mark Haysman said:

“Q2 FY23 was a record quarter for the business from both a sales and operating cash perspective. We delivered the first positive operating cash result since listing in December 2019 – a significant milestone, reflecting increasing scale across the business and incredibly strong performance of Better Beer. We believe Better Beer is a unique asset of significant value, capable of competing with the largest beer brands across Australia and New Zealand. The upside potential of Better Beer is incredibly exciting for the business, an opportunity we’re aggressively pursuing.”

¹ Group unaudited revenue in Q2 FY23 includes sales from discontinued operations of approximately \$2m

² Group unaudited cash receipts in Q2 FY23 includes sales from discontinued operations of approximately \$2m

³ Retail sales data sourced from available retail consumer data covering on-premise and off-premise sales

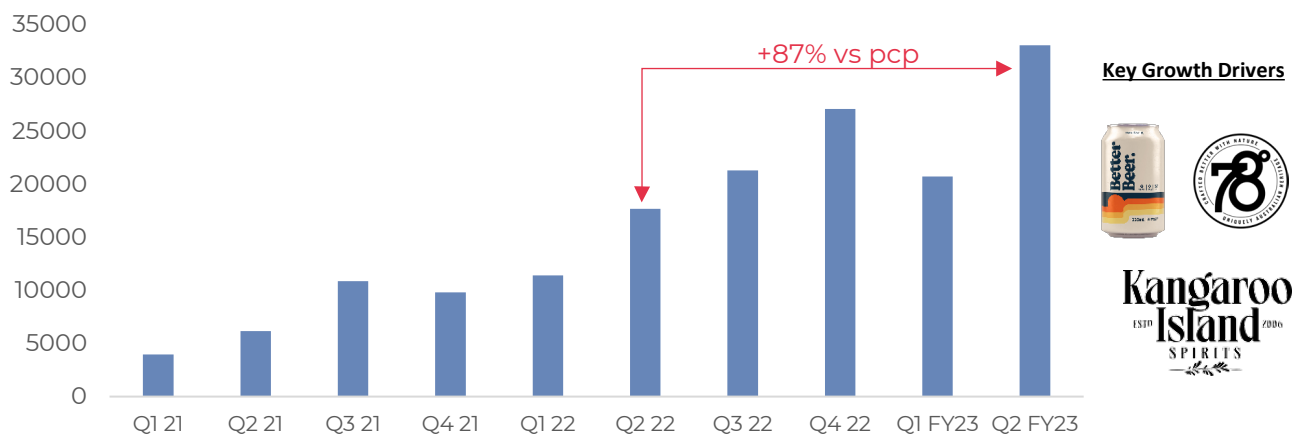
Our focus spirit brands are also performing very well. Likewise, we're confident there exists significant opportunity over coming years to continue to unlock value for locally manufactured spirit brands.

Our outlook for Q3 FY23 is strong, and we remain committed to balancing revenue growth with profit / cash delivery, while simplifying the business through our program of divestments".

Financial Performance

Mighty Craft delivered Q2 FY23 unaudited revenue of \$31.2 million (+91% versus pcp). Cash receipts totalled \$33.1 million (+87% versus pcp), representing a record quarter for the Group (previous largest quarter was \$27.1 million in Q4 FY22). Key drivers include Better Beer, 78 Degrees and Kangaroo Island Spirits.

Quarterly cash receipts (since FY21)⁴



The Company reported an increase in overall cash in Q2 FY23 of +\$0.6 million to \$6.3 million across the Group as at 31 December 2023. The Company continues to tightly manage its cash position and is taking a business-critical view towards investment opportunities for the short-term.

Better Beer

Ongoing strength in performance of Better Beer continues to exceed the Company's expectations. During the quarter, the Company sold 3.2 million litres, representing a record sales quarter (versus 1.4 million litres in Q1 FY23). As a result, management remain confident sales will exceed the 10 million litre annual target set for FY23.

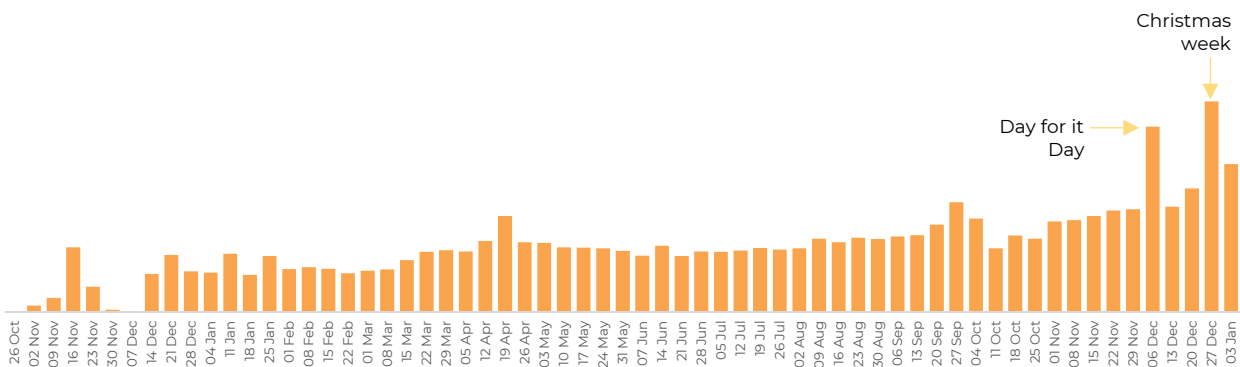
Additional important Better Beer milestones during the quarter include:

- strong New Zealand launch with distribution targets exceeded in the first full quarter post launch;

⁴ As reported to the ASX in Appendix 4C submissions

- local production on track for late Q4 FY23 including transition to New Zealand market pack format
- national ranging in Australia confirmed for two incremental products to be launched in H2 FY23; and
- outstanding sales performance achieved during Day for it Day and December trading levels.

Better Beer scan performance



Based on this, it is evident that Better Beer is capable of competing with the largest beer brands in Australia. Considering ongoing strength, the Company continues to view Better Beer as a unique asset with significant value.

Wholesale

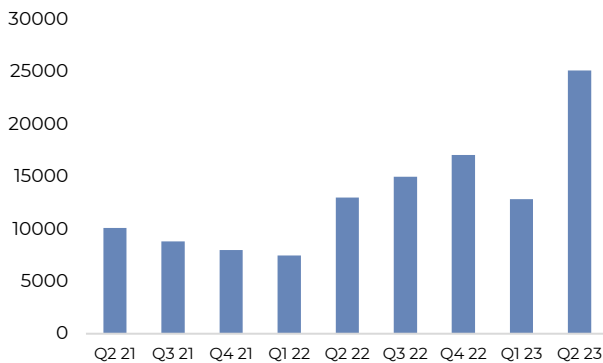
The Company's wholesale channel also contributed a record quarterly result in Q2FY23, delivering \$25.1 million in revenue (+93% versus pcp). The result was also +46% higher than the previous record observed during Q4 FY22 of \$17.1 million. Key growth drivers include Better Beer (+687%), 78 Degrees (+35%) and Kangaroo Island Spirits (+34%).

Elsewhere, craft Beer and cider sales were softer than anticipated albeit well ahead of overall category performance. Specifically, the off-premise craft beer and cider categories⁵ declined 12% and 18% respectively during the quarter. Pleasingly, the diversified nature of the Mighty Craft portfolio has allowed the Company to absorb softer than anticipated performance in craft beer and cider while still achieving a record result.

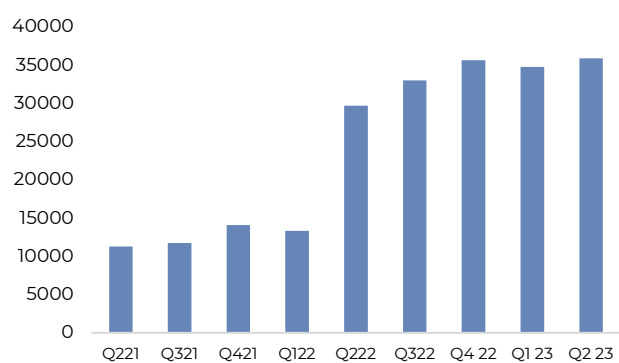
In terms of distribution, Q2 remained relatively consistent. The Company continues to shift its focus from growth in distribution to velocity growth (sell-through versus reach) given the national distribution footprint that it has achieved to date across the portfolio.

⁵ Category growth data is sourced from available retail scan data from national retailers.

Wholesale revenue⁶ (total group)



Distribution Growth⁷ (total group)



Venue Performance

Positive turnaround across venues continued during Q2 FY23, particularly across December, as venues achieved \$5.5 million in sales. Notable contribution includes Jetty Road Dromana (+38% growth versus pcp) and the new Mismatch venues in Adelaide, which reported \$680k in sales in its first quarter of operation after opening in October 2022.

Importantly, venues – as a Group – were profitable during the quarter, with overall EBITDA margins of ~18%, representing a significant turnaround from FY22. The Company expects a similar margin result across FY23. Mighty Craft also continues to view venues as an important strategic growth driver for craft brands. The focus in the short to medium-term will be optimising performance of branded venues.

Whisky Acceleration

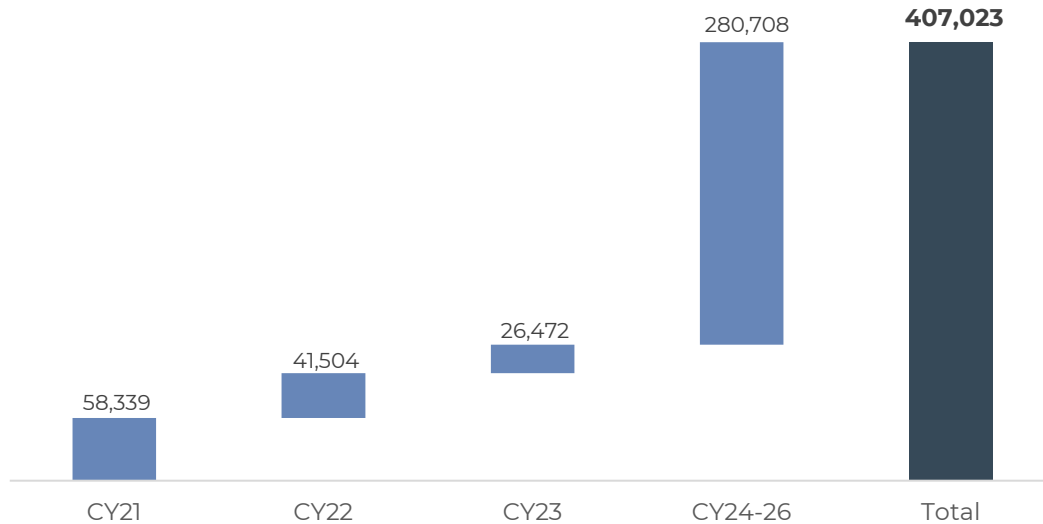
The Company continued to prudently invest in whisky stocks during the quarter, albeit at a reduced rate given the focus on cashflow management. Whisky under maturation during the quarter increased by 27,000 litres to over 400,000 litres, primarily a result of focused investment into both 78 Degrees and Kangaroo Island Spirits.

In light of a moderation in whisky investment – as a means of managing balance sheet and cash position – the Company will likely fall short of the 535,000 litres ambition set for FY23. Notwithstanding this, there is no change in the FY25 ambition of 1.5 million litres under maturation. The Company will provide a further update within its H1 FY23 results, currently scheduled for release to the market on Monday 27 February 2023.

⁶ Wholesale revenue represents sales through Might Craft sales and distribution agreements

⁷ Distribution represents unique distribution points for individual products

Whisky Bank (Litres under maturation as at 31 December 2022)⁸



FY23 Outlook

Management is encouraged with improvements to the underlying EBITDA trend of the Company, reporting positive underlying EBITDA during Q2 FY23 after a slower start in Q1 FY23. As with the operating cashflow trend, this is driven by the increasing scale across the Group.

As outlined within the Company's trading update, released to the ASX on 20 December 2023, divestment of non-core assets continues to form a key part of the simplified strategy. The Company will report these assets in discontinued operations in H1 FY23.

Lastly, there will also be a number of one-off and non-cash earnings impacts when the Company reports H1 FY23 results, including share-based payments (approved at the 2022 AGM) and one-off finance costs. The Company may also potentially revalue some minority investments as part of the audited H1 FY23 accounts. One such asset is Ballistic Beer company which has informed Mighty Craft that it has been placed into voluntary administration. Ballistic has appointed an administrator, who will recommend a course of actions that is in the best interests of all creditors. The carrying value of the Ballistic investment on the Company's balance sheet prior to any revaluation is \$2.4m. The Company will provide further updates as part of the HY23 results which will be released to market in late February 2023.

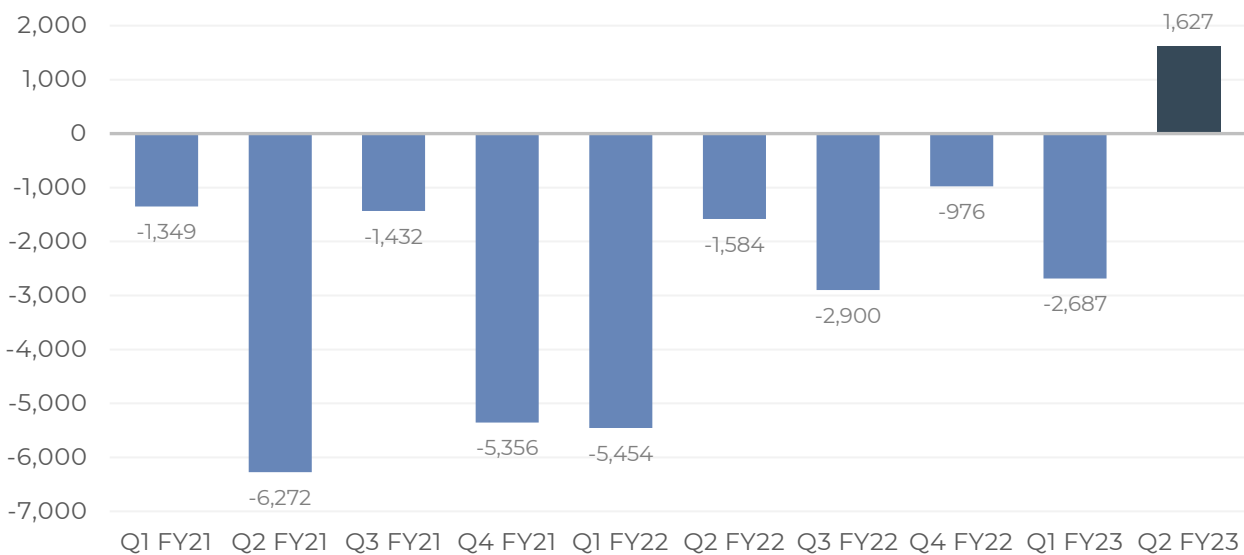
⁸ CY represents expected calendar year maturity date – note this may change over time.

Cash Flows

Cash used in operating activities of +\$1.6 million reflect the maiden positive operating cash result for the Company since listing in December 2019. The result reflects the increased scale of the group and its operating leverage. There were some notable contributions:

- cash receipts – \$33.1 million in cash receipts during the quarter, reflecting both a record sales and collection quarter through peak trading. The chart below illustrates an encouraging trend in operating cashflow since FY21 as the business scales, covering fixed costs; and
- working capital management – managing the Company’s working capital requirements through peak trade in pursuit of profitable growth, with minimal cash outflows.

Net Cash Flow from Operating Activities



Cash used in investing activities \$(0.7) million and financing activities of \$(0.3) million reflects the overall prudent capital management strategy of the company and focus on core brands and business critical activities. The spend related to minor PP&E investment, Better Beer brand assets and initial costs of opening the Mismatch Brewpub in Adelaide.

INVESTOR WEBINAR

The Company will host an investor webinar with Managing Director and CEO Mark Haysman, and CFO Andrew Syme, at 11.00am AEDT today – Monday, 30 January 2023 – to discuss the results. Register for the investor webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_4pYAHW-gQy6eHFF926Ck5Q

Questions can be pre-submitted to sam@nwrcommunications.com.au or asked via the Q&A function during the webinar. After registering, you will receive a confirmation email containing information about joining the webinar.

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This announcement has been authorised and approved for release by the Board of Directors of Mighty Craft Limited

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

Financial:

Pursuant to Listing Rule 4.7C2 the Company confirms that during the period since listing on the ASX on the 17th 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 Propsectus (\$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
Aquire 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 coporate 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
TOTAL		29.1	29.1