

Mighty Craft achieves +90% sales growth and improved earnings momentum in H1 FY23

Mighty Craft Limited (ASX:MCL) (“Mighty Craft”, “Group” or “the Company”), a craft beverage accelerator with a nationally diversified portfolio, is pleased to announce its financial results for the half-year ended 31 December 2022 and provide an update on the outlook for FY23.

H1 FY23 HIGHLIGHTS:

- Revenue from continuing operations of \$45.0 million, +89.7% versus prior corresponding period (“pcp”)
- Reported EBITDA¹ from continuing operations of \$(1.8) million, versus \$(3.3) million in pcp
- Underlying EBITDA² from continuing operations of \$(0.4) million, adjusting for one-off items, including share-based payments and one-off finance costs
- Better Beer sales revenue of \$19.3 million (+1,067% versus pcp), with total sales exceeding 4.7 million litres
- Significant improvement in operating cash outflow of \$(1.0) million, versus \$(7.1) million pcp
- Investing cash outflow of \$(1.5) million, reflecting prudent capital investment strategy
- \$6.3 million cash balance as at 31 December 2022
- Positive Q3 FY23 outlook across both wholesale and venues, with peak trading momentum to continue in line with seasonal trends
- Investor webinar to be held 11:00am AEDT Monday, 27 February ([register here](#))

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

“The team has delivered a really strong result for the first half, in what is the first peak trading period not impacted by COVID restrictions in three years. Our earnings and cashflow trends continue to improve as we delivered the first quarterly cashflow positive result since listing during Q2, along with positive underlying EBITDA of \$1.0m for the quarter. Our enhanced scale and performance illustrates Mighty Craft growth is exceeding that of the broader market as we continue to gain significant market share across beer, cider and spirits. This, in turn, drives a significant improvement in gross profit and EBITDA performance during the half.

I’m particularly pleased at the performance of strategic venues as they continue to play a very important role for our brands, particularly in light of a normalisation of social behaviour, post a period of restrictions. Our venues grew sales by +40% during the half, importantly delivered EBITDA

¹ EBITDA is a non-IFRS measure that the company believes is an important indicator of performance.

² Underlying EBITD removes one-off impacts relating to share-based payments and one off finance costs.

margins of approximately 20%, reflecting the return of hospitality to pre COVID levels. Elsewhere, we expect momentum to continue into the second half, across our portfolio, driven by Better Beer's exciting innovative product launches slated in coming months. We remain extremely excited for ongoing growth and path to sustainable earnings over coming periods as we continue to leverage our unique network of brands and venues".

Summary of financial performance

Profit & Loss			
A\$ million	H1 FY23	H1 FY22	% Change
Revenue	45.0	23.7	90%
Gross margin	14.6	9.3	57%
Gross margin %	32.5%	39.1%	(660) bps
EBITDA	(1.8)	(3.3)	45%
EBIT	(3.3)	(4.6)	28%
Underlying EBITDA ²	(0.4)	(2.9)	86%

During H1 FY23, Mighty Craft delivered revenue growth of 90% versus pcp, driven by strong underlying growth across the Company's wholesale channel (+110%) and venues (+40%). Additional detail on both wholesale and venues below.

Gross margins declined versus pcp, largely driven by the ongoing mix-shift within the business. Specifically, the exponential growth experienced in Better Beer continues to drive beer / cider outperformance within the Group. Notwithstanding this impressive growth trajectory, it has been at a lower gross margins than both spirits and venues. As a contract-manufactured product, this is in line with Company expectations. Gross margin performance by category below reflects improving performance of venues, while beer / cider has been impacted by the enlarged contribution from Better Beer.

Gross margin performance			
	H1 FY23	H1 FY22	% Change
Beer / Cider	24.6%	29.2%	-4.6pps
Spirits	37.5%	39.4%	-1.9pps
Venues	66.4%	63.2%	3.1pps
TOTAL	32.5%	39.1%	-6.6pps

During the half, EBITDA improved to \$(1.8) million, versus \$(3.3) million in H1 FY22. Underlying EBITDA improved to \$(0.4) million, removing one-off impacts associated with share-based payments and one-off finance costs. Importantly the trend across Q1 FY23 and Q2 FY23 improved significantly, driven enhanced scale across the Group and improved operating leverage as the Company covers its fixed cost base.

The Company notes it's investment in Ballistic has been revalued in the H1 FY23 accounts. The book value of the investment has been written down from \$2.4 million to \$0.4 million.

Underlying quarterly EBITDA trend

When examining on a quarterly basis, the EBITDA trend improved significantly in Q2 FY23, reflecting increased scale as well as peak trading performance of venues. As revenue effectively doubled quarter on quarter, a significant improvement in operating leverage was observed with underlying EBITDA of +\$1.0 million in Q2.

Quarterly EBITDA performance		
	Q1 FY23	Q2 FY23
Revenue	15.0	29.9
EBITDA	(1.6)	(0.2)
Underlying EBITDA	(1.4)	1.0

Wholesale performance

Wholesale growth continued to be driven by Better Beer during H1 FY23, yet all priority brands experienced growth versus pcp – an encouraging and strong result given the softer category conditions. The Company estimates the craft beer category declined approximately 12% in H1 FY23, while spirits category declined approximately 6%. The growth of priority brands illustrate significant market share gains in light of the overall category performance.

Wholesale growth versus pcp			
Better Beer	1067%	78 Degrees	39%
Jetty Road	18%	Seven Seasons	14%
Mismatch	18%	Kangaroo Island	33%
Hills Cider	7%		
<u>Beer / Cider</u>	<u>180%</u>	<u>Spirits</u>	<u>26%</u>

It is also important to note that the market is still cycling a period of COVID-related restrictions in H1 FY22, which resulted in strong off premise sales, partially offset by slower on-premise activity. It is expected that cycling COVID-related restrictions will continue until H1 FY24. The Company has a natural hedge with its venue exposure, which reflected strong trading conditions emerging out of COVID.

Venue Performance

Positive turnaround across venues continued during H1 FY23, reflecting a return to pre-COVID hospitality conditions across the Group. Importantly, venues – as a Group – were profitable during the half, with overall EBITDA margins of ~20%, representing a significant turnaround from FY22. Stand out performance include the new Mismatch Brewpub in Adelaide, Lot 100 and Jetty Road Dromana.

Group venue performance			
AU\$ million	H1 FY23	H1 FY22	% Change
Revenue	7.1	5.1	40%
Gross margin	4.7	3.2	47%
Gross margin %	66.4%	63.2%	314 bps
EBITDA	1.4	0.9	52%

The Company expects a similar margin result across the balance of 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.

FY23 Outlook

The Company has released updated volume targets for FY23, reflected below.

Beer / cider target remains on-track while the outlook for whisky under maturation and spirits volume reduces slightly, reflecting a prudent and disciplined cash management strategy focusing on Better Beer. There are no changes to the FY25 ambition. There is a need in increase brand investment across the spirits portfolio and the Company will look to unlock this opportunity over the second half of FY23.

Volume ambition			
	FY23 ambition	Updated FY23 outlook	FY25 ambition
Beer / Cider	14m	14m	25m
Spirits	400k	350k	1.0m
Whisky under maturation	535k	450k	1.5m

Management remain encouraged by performance in the first half and despite some category softness, expects growth and positive earnings momentum to continue into H2 FY23. As the market continues to cycle COVID-relayed mandated lockdowns and restrictions (until H1 FY24), the overall trajectory and underlying trend is expected continue.

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. There are a number of divestments that are close to execution and while this has taken longer than the company had ideally planned at least two divestments are drawing to a close.

The Company has also revalued some of its minority investments as part of the audited H1 FY23 accounts. One such asset is Ballistic Beer company, which informed Mighty Craft it was recently 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 is now \$0.4 million (versus \$2.4 million previously, as outlined above).

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, 27 February 2023 – to discuss the results.

Register for the investor webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_YdB2DKnDThiRWCSEmmiOag

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