

FY23 Results Lark Announces Progress with Asia Export Business

Lark Distilling Co. Ltd (ASX: LRK) (“LARK” or the “Company”) is pleased to provide a business update to accompany the year ended 30 June 2023 (FY23) results.

FY23 Highlights:

- Reported FY23 Net Sales (revenue after excise) of \$17.0 million were down \$3.3m or 16% vs FY22
- Looking through the impact of one-off sales in FY22, Lark achieved organic net sales growth of +15%, supported by expanded sales into Export and Travel Retail channels.
- Lark’s core Signature and Symphony product ranges continue to perform strongly, growing net sales revenue respectively by 53% and 49% vs FY22
- Gross Profit margins continue to perform strongly, improving to 68.9%, up 240 bps
- Normalised Operating EBITDA loss of \$2.0m; Reported EBITDA loss of \$5.1m
- Cash balance of \$7.2 million at 30 June 2023, with \$15 million undrawn committed bank facility now extended to January 2025 and the full facility available to be drawn
- Whisky under maturation at 30 June 2023 increased to 2.38 million litres
- Asia development – appointment of Asia Sales Director and MOU signed for exclusive Malaysia distribution agreement
- Continued global and domestic recognition for Lark at the International Wine & Spirits Awards in London, and the recent Dan Murphy’s Decoded Award, solidifying Lark’s position as Australia’s No.1 Luxury Single Malt Whisky
- Lark Investor Day – Hobart 17 October

Lark CEO Sash Sharma added:

“While a challenging year for Lark in terms of headline financial results, the year-on-year performance was significantly impacted by one-off sales in FY22 and Q4 in particular. Adjusting for these one-off transactions, underlying Net Sales growth was 15%, underpinned by the organic performance of our core Signature and Symphony product ranges in FY23, with combined net sales growth of 53% and 49% respectively. Future international sales growth will be underwritten by our high-quality Whisky Bank.

Importantly our unique core whisky products and Lark’s reputation for quality and craftsmanship were further strengthened, as evidenced by our continued success in domestic and international awards; this included the Lark brand receiving 11 awards at the International Wine & Spirits Awards in London, and Lark Classic Cask being recognized as the Best Australian Whisky with Dan Murphy’s Decoded Award, solidifying Lark’s position as Australia’s No.1 Luxury Single Malt Whisky.

In late FY23 we took immediate actions to create and introduce a new integrated operating model within the business to build agility in the organisation by having clear ways of working, defined roles and responsibilities and allowing appropriate decision-making autonomy.

A restructure was also undertaken to right size the organisation and allow redeployment of resources in support of future growth areas, while decisions were made on obsolete dry goods and packaging to protect the brand as we look to develop Lark into an International Brand.

Today, I am delighted to announce some progress towards our Asia expansion, with the appointment of an Asian Sales Director, Mr. Alfred Goh, as well as an exclusive distribution agreement (MOU) with Leung Heng in

Malaysia. We are only at the start of Lark's export journey, with more exclusive distribution agreements to follow, in addition to the planned expansion of our recently launched Global Travel Retail business. We are targeting growth from seeding the Lark brand in international markets from the second half of FY24.

We remain committed to building our brands, underpinned by our high-quality Whisky Bank, and setting up Lark to deliver long-term success, targeting sustainable growth both domestically and internationally, with a focus on creating and enhancing shareholder value.

We look forward to sharing our strategic road map, priorities and scorecard at our upcoming Investor Day in Hobart on the 17th of October."

FY23 Financial Performance

Reported Net Sales of \$17.0 million were down \$3.3m or -16% vs FY22. When normalising for non-organic and opportunistic transactions In FY22, Lark delivered organic net sales growth of +15% in FY23.

Gross profit margins remained strong, up from 66.5% in FY22 to 68.9%, up 240 basis points. This was driven by an increase in Net Sales Value per Litre to \$280, which was supported by favourable product and domestic channel mix towards Lark's hospitality venues more than offsetting relatively lower Net Sales Value per Litre in Export business.

Marketing investment as a % of Net Sales was 18%, with spend maintained in absolute terms to support long term Brand Equity.

Operating costs increased by 29% in FY23, this reflects the increase in headcount within the Marketing and eCommerce Teams, as well as the full year impact of both onboarding the domestic sales structure and the opening of two hospitality venues between December 2021 and April 2022.

Non-recurring one-off costs in FY23 were \$2.3m, of which \$0.9m were in 2H23, with Q4 one-off costs of \$1.4m as previously reported. Operating EBITDA was a loss of \$2m, down from +\$2.4m in FY22.

Government Grants of \$3.7 million were received during FY23, with \$3.4 million relating to the Federal Government Modern Manufacturing Grant, with \$0.3 million relating to a Tasmanian Government Tourism Innovation Grant.

The balance sheet and capital position remain sound, providing Lark with important financial flexibility, with cash at bank at 30 June 2023 of \$7.2 million, and with a \$15 million committed bank facility now extended to January 2025 and available to be drawn.

About Lark Distilling Co:

Founded by pioneers Bill and Lyn Lark in 1992, LARK Distilling Co. has been crafting world-class, award-winning Tasmanian whisky for more than 30 years. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed whisky. LARK, the leading luxury Australian Whisky brand, houses a range of spirits headlined by its single malts; Classic Cask 43% and Cask Strength 58%, and its unique blended-malt whisky, SYMPHONY No. 1.

The distillery also produces a range of Forty Spotted Gins and handcrafted Tasmanian liqueurs. For the second consecutive year, LARK Distilling Co. was shortlisted for the World Whisky Producer of the Year in the coveted International Wine & Spirits Competition, and in August 2022 received the Master Medal Award, in the World

Whisky Masters, for its innovative Chinotto Cask II Cask Strength release, alongside a further seven gold medals across the portfolio.

In April 2021, LARK Distillery was named Australia's first carbon-neutral distillery under the Federal Government's Climate Active Program, meaning the activities associated with running Tasmania's first distillery have no net negative impact on the climate. One of the most rigorous and widely recognised carbon-neutral programs in the world, Climate Active certification is only awarded to businesses and organisations that have credibly reached a state of achieving zero net emissions.

Bill Lark was recognised and honoured for his life-long dedication to the advancement of Tasmanian whisky with the prestigious 'Lifetime Achievement Award' at the 2022 Spirits Business Awards in London. Bill's love for whisky and his and Lyn's trailblazing innovation more than 30 years ago has helped build the LARK brand into what it is today.

At the Australian Whisky Awards in March 2023, LARK was awarded "Distillery of the Year", Bill Lark was named "Personality of the Year", Master Distiller Chris Thomson was named "Distiller of the Year" and DARK LARK was crowned "Single Malt of the Year". LARK Cellar Door in Hobart took home silver in the "Best Whisky Venue" category.

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This announcement has been approved for release by the Board of Directors.