

HY24 Results

Lark confirms commencement of direct Asian export shipments

Lark Distilling Co. Ltd (ASX: LRK) (“LARK” or the “Company”) is pleased to provide a business update to accompany the half year ended 31 December 2023 (HY24) results.

HY24 Highlights:

- HY24 Net Sales revenue was \$7.4 million, down \$2.2 million vs. HY23 driven by lower limited release sales in domestic channels as previously outlined, and reduced export (-\$1.0m) due to a slowdown in the Chinese Indirect Export channel.
- Despite ongoing challenging trading conditions, the Core Lark Signature range continued to outperform in Australia, with Net Sales growth of 13% vs. pcp.
- Sustainable export expansion strategy is being executed. Distribution Agreements now signed for Indonesia and Singapore, with shipments commenced from Q3FY24, and MOUs in place for Philippines & Malaysia.
- Lark’s Global Travel Retail presence continues to grow in key Australian airports, with Net Sales in the half up \$0.5 million versus pcp, with strong brand presence and consumer offtake over the key seasonal travel period.
- Net operating activity cash outflows were \$1.1 million for the half, reflecting a \$2.2 million improvement versus pcp. Adjusting for one-off staff, administration and corporate costs of \$1.2 million in the pcp, this reflects a \$1.0 million improvement versus HY23.
- Whisky Bank of 2.4 million litres at 31 December 2023, unchanged.
- Cash balance of \$5.5 million at 31 December 2023, with \$15 million undrawn committed bank facility available and now extended to January 2028.

Lark CEO Sash Sharma added:

“We’re excited by the export opportunity for Lark as we set ourselves up to drive international sales momentum, by creating repeatable and diversified revenue streams, which will be increasingly important with the softer consumer confidence currently in the domestic market. We are executing on our strategy, and have made good progress with Southeast Asian distributors, with MOUs in place with Malaysian and Philippines distributors, and Indonesia now progressed to the execution of a Distribution Agreement with Pelita Makmur Perkasa (PMP). The first orders of our core range have now been shipped to PMP. Additionally, as we flagged on 24 January, we are delighted that we have executed a Distribution Agreement with Velocity Wines & Spirits, a premier distributor in Singapore, with the first order now received and being prepared for shipment in late February.

The underlying performance of the core ranges in our domestic channels is very pleasing given this resilient performance is set against a backdrop of soft consumer confidence and challenging domestic trading conditions, which makes the performance more noteworthy. Pleasingly, our nascent GTR business continues to grow its presence and performance in key Australian airports, with this channel remaining a key strategic priority for Lark.

The quality of our whisky continues to be recognised both locally and internationally, with the core Signature range seeing Gold Medals for each of Lark Classic Cask, Lark Rebellion, and Lark Tasmanian Peated in the Global Spirits Masters. We’re incredibly proud to see Lark products crowned both Australia’s best Single Malt and Blended Malt in the World Whisky Awards, and saw Gold Medals

awarded in the China Wine & Spirits Awards. These awards help cement Lark's reputation for quality and provide additional confidence to distributors and consumers as we progress our export journey.

Our disciplined approach towards cash and capital discipline continues to result in an improvement in our underlying operating cashflow. Our net operating activity cash outflows continued to improve against last year, by \$2.2 million, or \$1 million when adjusting for one-off payments in the prior corresponding period, with this improvement a direct result of our renewed focus on cost control and our decision to consolidate production to our Cambridge Distillery from Q4FY23. Pleasingly, these disciplined actions have more than offset the impact of lower limited release and indirect export sales."

HY24 Financial Performance

Reported Net Sales of \$7.4 million were down \$2.2 million or -23% vs HY23, with sales performance impacted by Export due to a slowdown in legacy Chinese Indirect Export channel, and lower limited release sales in Domestic channels as older finished goods inventory was sold out in HY23.

Gross profit margins remained strong, at 66.0%, down from 68.2% in HY23, with the decline driven by a decrease in Whisky Net Sales Value per Litre to \$257, reflecting a change in domestic channel mix with a lower contribution from Lark's hospitality venues, and product mix with lower limited release sales.

Marketing investment as a % of Net Sales was 13.7%, down from 18.4% in the pcp, a result of timing as plans and activities are being tailored to support new market launches in 2H24 for sustainable export expansion and brand architecture development.

Operating costs of \$5.1 million were flat versus the pcp, with inflationary pressures and new hires in future growth areas fully offset by cost control measures including the benefits of the restructure implemented in June 2023.

Operating EBITDA was a loss of \$0.4 million, down \$0.4 million from HY23.

Net operating activity cash outflows were \$1.1 million for the first half, a \$2.2 million improvement versus the pcp despite lower revenues. Adjusting for one-off staff, administration and corporate costs of \$1.2 million in the pcp, this reflects a \$1 million improvement versus the HY23 outflow.

Operating activity inflows through receipts from customers totalled \$10.6 million representing a \$3.2 million decrease on the pcp, largely reflecting the sale of limited releases as well as indirect export in the pcp. Other net cash outflows from operating activities were \$11.8 million, representing a \$5.4 million improvement on the pcp, or \$4.2 million after adjusting for net one off inflows in HY23.

Savings in operating activity cash outflows included the benefit of the decision made during Q4FY23 to exercise cash and capital discipline by consolidating distilling production at our Cambridge site, and the restructure implemented in June 2023, more than offsetting inflationary pressures.

The balance sheet and capital position remain sound, providing Lark with important financial flexibility, with cash at bank at 31 December 2023 of \$5.5 million (FY23: \$7.2 million), and with a \$15 million committed bank facility now extended to January 2028, 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 distillery in 154 years. LARK, Australia's No.1 Luxury Single Malt Whisky brand, houses a range of spirits headlined by its Single Malt Signature Collection; Classic Cask 43% ABV, Rebellion Chinotto Citrus Cask 44% ABV, and Tasmanian Lightly Peated 46% ABV, and its unique blended-malt whisky, Symphony No.1 40.2% ABV. The distillery also handcrafts a range of Forty Spotted Gins with native pepperberry, and Tasmanian liqueurs.

LARK is locally and internationally recognised for its quality, innovation, and people; awarded numerous prestigious accolades over the past three decades. At the World Whiskies Awards in August 2023, LARK took home Best Single Malt and Best Blended Malt in the region, as well several gold medals across the portfolio. 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.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", LARK LARK was crowned "Single Malt of the Year", Bill Lark was named "Personality of the Year", and Master Distiller Chris Thomson was named "Distiller of the Year". In August 2022 LARK received the Master Medal Award, in the World Whisky Masters for its innovative Chinotto II Cask Strength release, alongside a further seven gold medals across the portfolio.

LARK can be enjoyed at the iconic Hobart Cellar Door and neighbouring award-winning Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. LARK Distilling Co, a fabric of our community, is crafted from grain to glass, using the purest, natural elements from Tasmania. Welcome to the New World of Whisky.

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

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