

Better Beer growth continues. Significant non-cash Impairments driven by classification of assets as held for sale

Mighty Craft Limited (ASX:MCL) (“Mighty Craft”, “Group” or “the Company”) financial results for the half-year ended 31 December 2023 (“H1 FY24”) and an update on progress relating to the previously announced restructuring program.

H1 FY24 HIGHLIGHTS:

- Revenue from continuing operations of \$28.8 million, +25% versus prior corresponding period (“pcp”)
- Reported EBITDA¹ from continuing operations of \$(1.6) million, versus \$(2.4) million in pcp
- Underlying EBITDA² from continuing operations of \$(1.4) million, adjusting for one-off items, including share-based payments and one-off impairment write-downs
- Due to the divestment program the Company has classified a number of businesses as held for sale, which has resulted in a non-cash impairment of \$40.7 million presented in discontinued operations³
- Better Beer sales revenue of \$26.1 million (+32% versus pcp), with total sales exceeding 7 million litres in H1 FY24 and 12 million litres for CY23
- Operating cash outflow of \$(5.9) million, including ongoing impact of restructuring costs
- \$5.5 million cash balance as at 31 December 2023
- Ongoing progress against the divestment program with \$6.3 million in divestments settled in H1 FY24 (before fees)
- Key terms agreed with most lenders and creditors to improve the Company’s flexibility to execute the restructuring program and deleverage the business

Mighty Craft’s Chair, Grant Peck, said:

“Our focus for H1 FY24 was clear – continue to pursue asset divestments in order to deleverage the business and reduce the operating cost base of the Company. We have made progress on both fronts, and we intend to continue to focus on these areas as we head into H2 FY24. The Company has received a number of non-binding offers for its Adelaide based assets. The Company’s future direction will be determined once we are clear on the outcome of these asset sales.”

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

² Underlying EBITDA removes one-off impacts relating to share-based payments and one-off impairments / write downs.

³ A detailed breakdown of the businesses included in discontinued operations is set out in section 4 of the Notes to the Consolidated Financial Statements.

Mighty Craft’s Managing Director and CEO, Katie McNamara, said:

“From a trading perspective – performance was mixed. We continued to see outstanding performance from Better Beer while trading conditions at the premium end of the spirits and craft beer continued to be challenging. This trend has continued through the early parts of H2 FY24.”

Summary of financial performance⁴

Profit & Loss			
A\$ million	H1 FY24	H1 FY23	% Change
Revenue	28.8	23.1	25%
Gross profit	2.1	4.5	(54%)
Gross margin %	7%	20%	(1300) bps
EBITDA	(1.6)	(2.4)	+0.8m
EBIT	(2.1)	(2.9)	+0.8m
Underlying EBITDA ⁵	(1.4)	(1.5)	+0.1m

The Company delivered revenue from continuing operations of \$28.8 million, representing ~25% growth versus prior year.

Gross margins declined (1,300) basis points versus the prior period, driven largely by the deconsolidation of Better Beer from MCL accounts. In the current period Better Beer is reflected as a distributed brand on which MCL recognises a distributor margin⁶ (as opposed to an owned-brand gross margin in the prior period).

One-off impacts / impairment of goodwill and other assets

The Company took a number of non-cash write downs in H1 FY24 due to the reclassification of a number of businesses into held for sale⁷. The total impact of these write-downs was \$40.7 million and is presented in discontinued operations.

The Board has assessed the carrying amount of these business units to be recoverable principally through a sale transaction rather than continuing use. The carrying amount of each disposal group was compared to its fair value less the cost to sell, and impairment write downs were recognised whereby the carrying amount exceeded the fair value less the cost to sell. Fair value less the cost to sell was determined by reference to binding offers, or in the absence of a binding offer, expected sale proceeds based on non-binding offers and discussions with interested parties.

⁴ Financial performance represents businesses classified as continuing operations only

⁵ Refer to footnote 2 on Page 1

⁶ Refer ASX announcement on 14/3/23 regarding the corporate restructure of Better Beer.

⁷ Detailed breakdown of businesses classified as discontinued operations are included in Note 4 in the consolidated financial statements.

FY24 Outlook

The focus for the Company in the short term remains reducing net debt through the ongoing divestment program. The Company's senior lender, Pure Asset Management (**PURE**) has been supportive of the program and MCL is working closely with PURE to maintain its support⁸. Further updates on the future direction of the business will be provided as additional asset sales are realised.

The Board will continue to update its shareholders in line with its continuous disclosure requirements.

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

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Disclaimer

The material contained in this document is of general information about the activities of the Company as at the date of this update. All monetary figures quoted within this document are in Australian dollars (\$AUD) unless otherwise specified and are provided on an unaudited basis.

This announcement contains "forward-looking statements." These can be identified by words such as "may", "should", "anticipate", "believe", "intend", "estimate", and "expect". Statements which are not based on historic or current facts may be forward-looking statements. Forward-looking statements are based on:

⁸ See ASX Announcement dated 19 February 2024 for further details on the status of the senior debt facility.

- *assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and*
- *current views, expectations and beliefs as at the date they are expressed and which are subject to various risks and uncertainties.*

Actual results, performance or achievements of the Company could be materially different from those expressed in, or implied by, these forward-looking statements. The forward-looking statements contained within the presentations are not guarantees or assurances of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by forward-looking statements. For example, the factors that are likely to affect the results of the Company include general economic conditions in Australia and globally; exchange rates; competition in the markets in which the Company does and will operate; weather and climate conditions; and the inherent regulatory risks in the businesses of the Company. The forward-looking statements contained in this announcement should not be taken as implying that the assumptions on which the projections have been prepared are correct or exhaustive. The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this presentation have not been audited, examined or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.