



AUSTRALIAN VINTAGE LTD

ASX AND MEDIA ANNOUNCEMENT

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11 June 2024

TRADING UPDATE AND CAPITAL STRUCTURE INITIATIVES

Australian Vintage Limited (ASX: AVG) today makes the following announcements.

Trading Update

Highlights:

- FY24 sales is expected to be in the range of \$257 – 261 million, in line with FY23 in a challenging market but lower than internal expectations¹
 - Sales in key markets, ANZ and the UK, in line with the previous year, with the UK experiencing strong sales growth in May
- Net debt as at 30 June 2024, absent the Equity Raising, was expected to be in the range of \$70 – 75 million, higher than the \$43 – 50 million previously expected²
- AVG maintaining and growing market share in key markets
- Global leader in 'no-and-low' supported by our technology³
- New innovation range introduced in FY23 starting to take hold with additional innovation to be launched in 1H 2025 with higher margins
- Margin and underlying earnings improvement in FY24 (relative to FY23) from brand growth, innovation and cost out measures
- B-Corp certification achieved reinforcing AVG's environmental, social and governance credentials
- In-principle terms agreed with existing financier, National Australia Bank, for up to \$30 million of incremental debt capacity out to Nov-26⁴
- Equity Raising of up to \$19.9 million launched to further improve liquidity, reduce leverage and increase balance sheet strength⁵
- Board renewal underway with Chairman to retire post Equity Raise

AVG is leading the wine category in targeted product innovation⁶, with 37% of total margin contributed by products that did not exist five years ago⁷. AVG pillar brand revenue has increased from 65% to 79%⁸, and is set to be supported by several recently announced and upcoming

¹ FY23 reported revenue of \$258.6 million. FY24 total sales estimate is subject to a normal vintage, FX and agricultural risk

² As announced to ASX on 21 February 2024 (at the time stated to be subject to a normal vintage, FX and agricultural risk)

³ McGuigan Zero is the number one ranked 'no and low' still wine brand in the UK and Ireland (Nielsen No Alcohol Total Market Still Wine report for the 52 weeks ending 20 April 2024)

⁴ AVG has been advised by NAB that the proposed amendments to AVG's existing debt facilities, as summarised in this announcement, have been approved by the relevant NAB internal committees, however, remains subject to the negotiation and execution of binding long-form facility documentation. The credit approved terms do not represent a binding funding commitment from NAB, and NAB has made no such representation to AVG. There is no certainty the credit approved terms agreed with NAB will convert to a committed debt facility available for use by AVG

⁵ The Equity Raising is not underwritten and there is no guarantee it will be fully subscribed

⁶ AVG ranked best in class supplier for innovation by its UK customers (Advantage Survey, October 2023)

⁷ As announced as part of AVG's FY23 full year results

⁸ Comparison of 1H FY20 to 1H FY24 as per AVG's 1H FY20 and 1H FY24 reported results

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premium brand launches in ANZ and the UK including CTZN, Australia's first AI curated wine, Tempus One, Butcher's Cellar and McGuigan Gold.

AVG is committed to the continued disciplined execution of its Strategic Plan, which has seen the business continue to win market share and global recognition. The Strategic Plan is positioning the business for long-term success through its focus on brands, premiumisation and innovation and a relentless focus on cost efficiency and pricing discipline, which is being complemented by diversification into new export markets, including South-East Asia. AVG also remains focused on identifying transaction opportunities with the potential to unlock shareholder value.

Outlook:

- Near-term conditions are likely to remain challenging; rebalancing of supply and demand to take time
- FY24 underlying EBITDAS is expected to be in the range of \$29 – 31 million, up 11% on the prior corresponding period (FY23)⁹
- Margin pressure is expected, driven by a combination of persistent cost inflation, competitor pricing and sales mix
- Liquidity requirements are expected to be elevated across July to October, with ongoing support from bank financier provided, and enhanced through the Equity Raising (see below)
- Previously announced Strategic Review is continuing; AVG continues to believe sector consolidation is logical and is ready to participate¹⁰
- A \$38 million impairment charge is expected to be recorded against goodwill in FY24¹¹

Capital Structure Initiatives

AVG is executing a comprehensive capital structure reset, including an Equity Raising and Debt Facility Increase and Extension (Capital Structure Initiatives).

The Capital Structure Initiatives are designed to provide the company with enhanced levels of liquidity and financial flexibility to navigate challenging industry conditions, and to better position the business to capitalise on future growth opportunities and execute its Strategic Plan.

Equity Raising:

- Equity Raising of up to ~\$19.9 million, comprising:
 - ~\$5.5 million institutional placement (Placement)
 - ~\$9.5 million 2 for 7 accelerated, non-renounceable entitlement offer (Institutional Entitlement Offer)
 - ~\$4.9 million 2 for 7 non-renounceable entitlement offer (Retail Entitlement Offer)
- The Equity Raising will be conducted at a fixed price of \$0.20 per new share (Issue Price), representing a discount of:

⁹ Underlying EBITDAS range is presented on a post AASB-16 basis and is subject to a normal vintage, FX and agricultural risk

¹⁰ As announced to ASX on 26 February 2024, AVG had entered into preliminary discussions with Accolade Wines (Accolade) in relation to a potential merger. As announced to ASX on 27 May 2024, on 22 May 2024 AVG received correspondence from Accolade, via its advisors, that Accolade and its Senior Lenders 'were not in a position to continue discussions further at this time'

¹¹ Preliminary estimate subject to the completion of AVG's full year audit

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- 35.9% to TERP¹² of \$0.312 as at 22 May 2024¹³
- 42.0% to the closing price of \$0.345 as at 22 May 2024
- 73.5% discount to AVG's pro-forma NTA per share of \$0.755¹⁴

The Equity Raising is not underwritten and there is no guarantee that it will be fully subscribed.

Debt Facility Increase and Extension¹⁵:

- Credit-approved terms agreed in principle with existing financier, National Australia Bank (NAB), for additional support:
 - Extension of \$15 million of existing debt capacity due to expire at the end of July-24 (extension to Nov-26)
 - Additional \$15 million of short-term debt capacity, with \$5 million repayable in Nov-24 and \$10 million in Nov-25
 - Increased covenant flexibility
- Credit-approved terms remain subject to negotiation and execution of binding long-form documentation

Pro-forma adjusted for the Capital Structure Initiatives, AVG's liquidity and leverage metrics as at 31 December 2023¹⁶ are:

- Net debt of \$53.7 million¹⁷ (reduction of \$14.0 million);
- Available liquidity of \$54.6 million¹⁸ (increase of \$29.0 million);
- Net debt / EBITDAS of 1.8x¹⁹ (reduction of 0.5x)

¹² TERP stands for theoretical ex rights price, which represents a weighted average theoretical share price based on the number of AVG shares on issue and closing share price as at 22 May 2024 and the number of new AVG shares issued at the Issue Price under the Placement and Institutional Entitlement Offer components of the Equity Raising, assuming both components are fully subscribed. The Equity Raising is not underwritten and there is no minimum subscription, meaning that there is no guarantee that the Equity Raising will be fully subscribed. If the Equity Raising is not fully subscribed, TERP could change materially. On announcement of the results of the Placement and Institutional Entitlement Offer components of the Equity Raising, the Company will provide an update on the relevant metrics to show actual impact of the Equity Raising (if take-up is less 100%). There is no certainty that AVG shares will trade on ASX at TERP post completion of the Equity Raising. TERP is referenced for illustrative purposes only

¹³ Last trading day for AVG shares on ASX prior to being placed in halt prior to market open on 23 May 2024

¹⁴ Represents net tangible assets per share. Net tangible assets calculation excludes goodwill/intangibles and deferred tax assets but includes right of use assets and liabilities. As at 31 December 2023, pro-forma adjusted for the impacts of the Placement and Institutional Entitlement Offer components of the Equity Raising (assuming 100% take-up of both)

¹⁵ AVG has been advised by NAB that the proposed amendments to AVG's existing debt facilities, as summarised in this announcement, have been approved by the relevant NAB internal committees, however, remains subject to the negotiation and execution of binding long-form facility documentation. The credit approved terms do not represent a binding funding commitment from NAB, and NAB has made no such representation to AVG. There is no certainty the credit approved terms agreed with NAB will convert to a committed debt facility available for use by AVG

¹⁶ Liquidity and leverage metrics reflect the Placement and Institutional Entitlement Offer components of the Equity Raising only and assume 100% take-up of both components. The Equity Raising is not underwritten and there is no minimum subscription, meaning that there is no guarantee that the Equity Raising will be fully subscribed. If the Equity Raising is not fully subscribed, the liquidity and leverage metrics could change materially. On announcement of the results of the Placement and Institutional Entitlement Offer components of the Equity Raising, the Company will provide an update on the relevant metrics to show actual impact of the Equity Raising (if take-up is less 100%)

¹⁷ Net debt of \$67.7 million as at 31 December 2023, pro-forma adjusted for the Placement and Institutional Entitlement Offer proceeds of \$14 million (net of transaction costs of approximately \$1 million)

¹⁸ Cash and undrawn debt of \$15.6 million as at 31 December 2023 (excluding \$6 million of bank guarantee facilities), pro-forma adjusted for a temporary \$10 million increase in debt capacity secured on 1 May 2024, further adjusted for the Placement and Institutional Entitlement Offer proceeds of \$14 million (net of transaction costs of approximately \$1 million) and a new \$15 million debt facility

¹⁹ Calculated using the mid-point of FY24 forecast underlying EBITDAS range of \$29–31 million (post AASB-16) and pro-forma net debt calculated in accordance with the relevant footnote

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Further details on the Capital Structure Initiatives can be found in the investor presentation lodged with ASX today.

The Retail Entitlement Offer is to be conducted pursuant to a transaction-specific prospectus, which will be lodged with ASIC and released separately today and made available to eligible retail shareholders. A further announcement will be made regarding retail shareholder participation.

Board Renewal

AVG provides the following updates in relation to its Board of Directors:

- Richard Davis to retire from the Board at completion of the Equity Raising;
- John Davies to be appointed Interim Chair of AVG at completion of the Equity Raising;
- As part of ongoing Board renewal, Naseema Sparks will not be seeking re-election at the upcoming Annual General Meeting;
- AVG is progressing discussions with a candidate for appointment as a Non-Executive Director; and
- Peter Perrin to remain acting Chief Executive Officer (CEO) pending appointment of a permanent CEO for which an extensive global search has commenced (as announced to ASX on 3 May 2024)

Commentary

Acting Chief Executive Office, Peter Perrin, said:

“The current cycle is proving to be one of the most challenging on record for the Australian wine industry and this is reflected in our expected financial performance for FY24. In the face of these sectoral headwinds, we are growing market share in our key markets, introducing considered innovations and improving our underlying earnings performance. While there are encouraging signs that the oversupply of red grape varieties is easing, consistent with prior cycles, we expect the market will take time to rebalance, and trading conditions are likely to remain challenging in the interim.”

The capital structures initiatives announced today are designed to provide more adequate levels of liquidity and financial flexibility to navigate the volatile conditions and enable the business to capitalise on future opportunities, including potential consolidation. We are grateful for the support of shareholders and our financier NAB and are committed to the disciplined execution of our Strategic Plan.

On behalf of the entire Board and Executive Committee, I would like to thank Richard for his dedication and service to the company over more than 15 years. He has made an invaluable contribution and will be missed.”

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Equity Raising Indicative Timetable

Key Event	Date (2024)
Announcement of Equity Raising	Tuesday 11 June
Lodgement of Prospectus for Retail Entitlement Offer	Tuesday 11 June
Placement and Institutional Entitlement Offer conducted	Tuesday 11 June - Wednesday 12 June
Results of Placement and Institutional Entitlement Offer announced	Thursday 13 June (pre-open)
Trading resumes on an ex-entitlement basis	Thursday 13 June
Record Date for Retail Entitlement Offer	7:00pm AEST on Thursday 13 June
Prospectus dispatched to Eligible Retail Shareholders and Retail Entitlement Offer opens (Opening Date)	Tuesday 18 June
Issue of Shares under Placement and Institutional Entitlement Offer	Friday 21 June
Quotation of Shares under Placement and Institutional Entitlement Offer	Monday 24 June
Retail Entitlement Offer closes (Closing Date)	5:00pm AEST on Tuesday 2 July
Announcement of results of the Retail Entitlement Offer and issue of New Shares under the Retail Entitlement Offer	Tuesday 9 July
Quotation of New Shares issued under the Retail Entitlement Offer	Wednesday 10 July

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For the purpose of ASX Listing Rule 15.5, Australian Vintage Limited confirms that this document has been authorised for release by the Board of Directors.

Further information

Peter Perrin
Acting Chief Executive Officer
02 8345 6377

Adam Rigano
Chief Financial Officer
08 8172 8305

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Important notices

Summary Information

The following disclaimer applies to this announcement and any information contained in it (**Information**). The Information in this announcement is of general background and does not purport to be complete. It should be read in conjunction with AVG's other periodic and continuous disclosure announcements lodged with ASX Limited, which are available at www.asx.com.au, including the Investor Presentation lodged on the date of this announcement. You are advised to read this disclaimer carefully before reading or making any other use of this announcement or any Information contained in this announcement. In accepting this announcement, you agree to be bound by the following terms and conditions including any modifications to them.

Forward Looking Statements

This announcement contains forward looking statements. Forward looking statements can generally be identified by use of words such as “may”, “should”, “could”, “foresee”, “plan”, “aim”, “will”, “expect”, “intend”, “project”, “estimate”, “anticipate”, “assume”, “likely”, “predict”, “propose”, “believe”, “forecast”, “target”, “outlook”, “guidance” or “continue” and words of similar import, or and other similar expressions within the meaning of securities laws of applicable jurisdictions. These forward looking statements include statements about expected FY24 financial results described in this announcement, statements about the plans, strategies and objectives of AVG (including statements about the Strategic Plan), statements about the industry and the markets in which AVG operates, as well as statements about the Capital Structure Initiatives, including the results and use of proceeds of the Equity Raising and the effects of the Capital Structure Initiatives on the business, financial condition and results of operations of AVG. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements.

These forward looking statements included in this announcement are not guarantees or predictions of future performance and involve subjective judgment and analysis and are subject to significant uncertainties, known and unknown risks, contingencies and changes without notice, many of which are outside the control of, and are unknown to, AVG as are statements about market and industry trends, which are based on interpretations of current market conditions. In particular, they speak only as of the date of these materials, they assume the success of AVG's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the fullest extent permitted by law, AVG and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

Not an offer in the United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States and may not be distributed or released in the United States. The new shares to be issued under the Equity Raising have not been, and will not be, registered under the *US Securities Act of 1933*, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new shares to be issued under the Equity Raising may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the US Securities Act or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable US state securities laws.

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