

## HY25 Results

### H1 sales momentum and significant progress on Lark Portfolio & Brand restage

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 2024 (HY25 or H1) Results.

#### HY25 Operating & Financial Highlights:

##### International Sales Momentum & Domestic Leadership Position

- Net Sales revenue growth of +7% or \$0.5 million versus pcp to \$7.9 million. Increase in Net Sales driven by growth in D2C, GTR in key Australian Airports, and Export sales via in market distributors, partially offset by lower Net Sales from Domestic B2B channel.
  - D2C delivered a strong HY25, with net sales up \$0.6 million, driven by Lark’s internally managed Ecommerce channel and Hospitality venues;
  - Lark’s GTR presence continues to grow in key Australian Airports, with Adelaide added during Q2 FY25, GTR Net Sales were \$0.8 million, up 18% vs pcp;
  - Direct export sales of \$0.5 million for HY25 through reorders from Indonesia, Singapore and Philippines, total direct export sales are now \$1.4 million for the first 12 months for this channel;
  - Domestic B2B Net Sales (down \$0.4 million) includes the impact of Spirits Platform’ distribution margin, which has been fully offset by operating cost savings through the removal of the domestic sales team. December sales to trade and consumers were also negatively impacted by industrial action at Endeavour Group’s distribution centres.

##### Build Long Term Brand Value

- Significant progress on Lark Portfolio & Brand restage with updated brand positioning and identity, portfolio structure and packaging being on track for completion by end FY25. “KURIO” – A Blended Malt, from the House of Lark to be launched in Q4 FY25, with initial domestic ranging secured.
- Increased activation plans locked in with Asian Distributors for H2FY25 - Asian Brand Ambassador appointed in Region during Q2 FY25 to drive trade and consumer engagement.
- Pontville development ongoing, as the long-term production and Brand home for Lark.

##### Cash & Capital Discipline

- Focus on cash and capital discipline continues in the business, with HY25 net operating cashflows reflecting the planned acceleration in marketing investment in line with strategic priorities.
- Whisky Bank of 2.5 million litres at 31 December 2024 (30 June 2024: 2.5 million litres).
- Cash balance and Cash Term Deposits of \$23.6 million at 31 December 2024; Committed \$5 million bank facility remains undrawn.
- Sale of Bothwell site for \$4.1 million – settlement expected March 2025.

##### Lark CEO Sash Sharma added:

*“Operationally as a whole, our business performance continues to improve, with HY25 Net Sales up 7% to \$7.9 million. Pleasingly our D2C, GTR and direct export businesses performed strongly in HY25, building on the positive operating momentum from the second half of FY24.*

*HY25 saw a planned increase in marketing spend, with our strategic investment in the Lark Brand restage progressing well. This exciting workstream sees updated Lark brand positioning and identity, a new portfolio structure including 700ml bottles, updated packaging and go-to market tools and assets being developed and on track for completion by the end of the financial year.*

*Our D2C business benefited from the extension of personalisation into Christmas Cask, as well as the first release from the Wilderness Single Cask Program. This channel exclusive elevated luxury offering allows us to express the uniqueness of Tasmania through each chapter. Importantly, our Lark Hospitality venues continue to perform well, with increased and enhanced tour offerings at Pontville Distillery contributing an increase of 9% consumers engaged to almost 25 thousand in the half across all sites.*

*Positive momentum continues on the direct export side of our business, with upweighted H2 FY25 Trade activation programs being agreed with Distribution Partners, and the appointment of a Regional Brand Ambassador for Asia to drive trade and consumer engagement in the region. Net Sales for the half year were \$0.5 million, with sales to Indonesia, Singapore and Philippines; bringing Export Sales for the first twelve months to \$1.4 million.*

*Our GTR business also continued its good performance in the first half, with sales up 18% versus the prior corresponding period. New ranging was secured in Adelaide International Airport from November, with all major Australian International Airports now ranging Lark and Forty Spotted, and a strong activation and promotional program is in place for Q3 and Q4 FY25 in both Sydney and Melbourne International Airports.*

*The recent transition to Spirits Platform as our domestic distribution partner is progressing well, albeit set against the backdrop of challenging trading conditions. Performance from our Domestic B2B business has been broadly in line with our expectations, unfortunately depletions into trade over the crucial Christmas selling period were negatively impacted by industrial action impacting Endeavour Group's Victorian distribution centre, leading to out of stock items on some key SKUs. We are working collaboratively with Spirits Platform, utilising their portfolio strength and commercial reach, to drive Lark's brand equity and grow sales over time, of our current and future range. This includes the exciting release of "KURIO" – a blended Malt Whisky, from the House of Lark to be launched in Domestic B2B in Q4 FY25 through Endeavour Group and Independents channel, with national ranging in Dan Murphy's confirmed as well as Tasmanian BWS stores.*

*Finally, significant progress is being made on the transition to Pontville as the long term home of Lark, with work underway to increase distilling capacity to around half a million litres (at 43% ABV) with increased efficiency in this first stage of development, along with blending, filtration, cooperage, bottling and safety upgrades as we consolidate operations at the site."*

## **HY25 Financial Performance:**

### Profit and Loss Highlights

Net Sales revenue for HY25 was \$7.9m, up 7% or \$0.5 million vs pcp.

The increase in net sales was driven by growth in D2C, export sales via in market distributors and GTR, partially offset by lower net sales from domestic B2B and legacy indirect export.

The domestic B2B comparatives in HY25 were impacted by the change to sales model that occurred on 1 August 2024, with the Distributor margin now included in Net Sales price. This Distributor margin impact has been fully offset by overhead savings from removal of internal sales team in Q1 FY25.

As anticipated, the shift towards a Distributor led sales model in both Domestic and Export markets have contributed to a decline in Gross Profit percentage, with a reduction of 2.5ppts to 63.6% in 1H FY25.

Investment in marketing expenses increased to \$2.2 million, 27% of Net Sales in HY25, up \$1.1 million vs. pcp, this reflects the planned strategic investment made on the Lark Brand restage (~\$0.5 million in H1 FY25) and increased brand activity including Ecommerce DTC advertising spend as part of the successful Christmas gifting period.

Continued cost discipline kept operating costs at \$4.9 million, down \$0.2 million, supported by savings from the removal of the domestic B2B sales team.

### Balance Sheet Highlights

The successful placement announced in July 2024 raised \$24.4 million (net of transaction costs), as a result, Lark ended the first half with a total cash balance of \$23.6 million, comprising cash (\$16.6 million) and a cash term deposit (\$7.0 million). The Unmarketable Parcel Campaign announced on 3 February 2025 will modestly reduce the cash position in 2H FY25 (~\$0.3 million).

As expected, trade receivables were impacted by the transition to a Distributor-based sales model which has changed the timing of receipts through changes in order patterns and payments terms. This change resulted in the historical increase in Q2 FY25 receipts from sales across the Christmas period being pushed into Q3 FY25, with receipts of \$0.9 million collected in the first week of January as receivables became due.

Prepaid assets at the half include Insurance and other annual costs that are expected to substantially unwind across H2 FY25.

Total inventory at cost of \$64.8 million, up \$0.6 million or 1% versus June 24, providing strong asset backing, underpinning future growth. Maturing inventory in Barrel at cost of \$59.0 million, +2.2% vs. June 24

Property, plant and equipment included \$0.2 million of additions relating to the ongoing development of Pontville as the primary Lark production facility. Land, buildings, plant and equipment at the Bothwell site have been classified as Assets Held for Sale at 31 December 2024.

Lark remains debt free, with an undrawn \$5 million committed bank facility with NAB.

### Cashflow Highlights

Net operating cash outflows in HY FY25 were \$2.6 million, vs \$1.1 million in pcp

The focus on cash & capital discipline continues in the business, with HY25 net operating cash outflows reflecting the planned acceleration in marketing investment in line with our strategic priorities, and the timing of receipts following the transition to a Distributor based sales model (\$0.9 million collected in first week of January 2025).

Under the revised domestic sales model, Alcohol Excise payments are now the responsibility of Spirits Platform. This has reduced Excise collected within customer receipts (~\$1 million P&L impact vs. pcp) with a corresponding offset in payments.

Government Grants & Tax Incentives relate to Excise rebate and Australian Government R&D Tax Incentive, with increase vs. pcp due to timing with R&D payment received in Q3FY24.

Investing Cashflows includes \$7.0 million invested in a six-month cash term deposit.

Payments for PP&E were \$0.2 million in Q2 FY25, relating to the ongoing development of Pontville as the primary Lark production facility, with cash impact primarily being in Q3 FY25, in the lead up to commissioning.

Financing cashflows reflect the successful placement announced in July 2024, which raised \$24.4 million (net of transaction costs).

### **FY25 Perspectives:**

#### Build Long Term Brand Value

- Lark Brand restage to be completed by the end of FY25
- Increased investment in A&P (>30% of Net Sales); finalisation of Lark Brand restage including go-to-market assets to support Asian Export growth, and building brand awareness in all markets
- Enhancements to Lark's cellar door offering in Hobart

#### International Sales Momentum & Domestic Leadership Position

- Trading conditions remain challenging – consumers remain cautious
- Net Sales growth projected in 2HFY25 (versus pcp) despite P&L shift from domestic distribution change, through GTR, DTC & Whisky Club, with Spirits Platform providing the platform to grow in time
- Upweighted H2 trade activation programs agreed with Export Distributors focussed on driving awareness and depletions in existing SEA markets. Modest shipments to new markets expected in H2FY25 to seed brand prior to accelerated entry in FY26 – with upweighted marketing investment behind restaged Lark brand

#### Cash & Capital Discipline

- Transition to Pontville as we establish this site as being Lark's long-term home, with Capex spend of ~\$2.5-3 million primarily in Q3
- Continued capital discipline utilising proceeds from recent \$24.4m equity raising
- Investment in marketing activity to support future sales growth will impact operating cashflows before moving to positive during FY27

#### **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, Chinotto Citrus Cask 44% ABV, and Tasmanian Peated 46% ABV, with coveted pinnacle expressions released through The Rare & Remarkable Collection. Symphony No.1 40.2% ABV is a unique blended-malt whisky, while the distillery also handcrafts a range of award winning Forty Spotted Gins, with native Tasmanian pepper berry, citrus and juniper, a refreshing take on gin, from the bottom of the world.

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 held in London in March 2024, LARK was crowned Australia's Best Single Malt for its Fresh IPA Cask, as well Australia's Best Blended Malt with Symphony No.1, for the third consecutive year.

At the Australian Whisky Awards in March 2023, LARK was proudly awarded "Distillery of the Year", DARK 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". LARK also received the acclaimed Master Medal, in the 2023 World Whisky Masters for its innovative Chinotto II Cask Strength Single Malt, alongside a further seven gold medals across the portfolio.

LARK can be enjoyed at the iconic Hobart Cellar Door, at the neighbouring Whisky & Cocktail Bar The Still, as well as at leading cocktail, whisky and hotel bars across the world. The immersive LARK Distillery Tour set at the historic Pontville Distillery is the brand's ultimate adventure into distilling, available seven days. 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.