



Mighty Craft delivers strong growth and improving profit trajectory

24 February 2022

ASX Announcement

Mighty Craft Limited (ASX:MCL) (**Mighty Craft** or the **Company**) is pleased to announce its H1 FY22 results.

Highlights:

Financial Performance

- Total income of \$29.6 million for the year, **up +130%** on H1 FY21 (“pcp”)
- Revenue of \$25.9 million for the year, **up +132% on pcp**
- H1 FY22 reported **EBITDA¹ of \$(2.4)m** vs \$(4.8)m in H1 FY21
- Q2 FY22 reported **EBITDA profit of +\$1.8m**
- **Wholesale volume:**
 - Total bottles of spirits sold of 148,740 – representing 44% growth on pcp on a like for like² basis (“lfl”)
 - Total litres of Beer / Cider of 2.2m – representing growth of +23% on pcp on a lfl basis
- **Better Beer sales of \$1.8m** in Q2 FY22 from November 2021 launch (despite ongoing stock shortages)
- Strong **direct to consumer (“D2C”) sales growth +65%** vs pcp
- The company’s cash balance as of 31 December 2021 was \$10.7 million.

Strategic:

- Completion of the transformational acquisition and successful integration of the Adelaide Hills Group of companies (“AHG”) in July 2021
- Release of the Whisky acceleration strategy in October 2021 and delivery of approximately 220,000 litres of Whisky under maturation by the end of H1 FY22
- Hugely successful launch of Better Beer in November 2021 in partnership with Torquay Bev Co and the Inspired Unemployed
- Completed the sale and leaseback of the freehold at Jetty Road Brewery in Dromana realising \$3.55m
- Brought the sales and distribution of Adelaide Hills Distillery products back in house from SouthTrade in November 2021
- Upgrade of Kangaroo Island Distillery which was officially opened in February 2022 and can now produce up to 200,000 bottles of spirits per annum
- Managed through ongoing COVID disruptions including lockdowns, staff shortages, and declining patronage across the venue portfolio throughout various periods in H1 FY22.

¹ EBITDA is a non-GAAP measure and management view it as an important indicator of performance

² Like for like (“LFL”) represents growth on prior year on a consistent basis (i.e. including acquired brands in PY) and management view it as a true growth rate given multiple acquisitions over the last 18 months



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Commenting on the H1 FY22, Mighty Craft's Managing Director Mark Haysman

said "The first half has been both challenging and incredibly exciting for the business. Managing through lockdowns, COVID, venue staffing issues and now unpredictable consumer demand has been tough and I am incredibly proud of the resilience of our people and the drive to keep our customers and each other safe.

I am sure we will look back on this period in a few years as one that was pivotal in setting the business up for future success. We have achieved an incredible amount in tough circumstances. The growth is strong and what I'm particularly pleased about is the improving bottom line. In Q2 FY22 we delivered our first EBITDA profit which is a great start. We now need to consolidate and keep delivering against our strategy. There are a number exciting growth opportunities ahead of us. These include but are not limited to the acceleration of the Adelaide Hills Group of companies, building our Whisky bank to 300,000 litres by year end, expansion of the recently re-launched Kangaroo Island Spirits brand and of course capitalising on the incredible success of Better Beer. We have what we regard as the best portfolio of premium local craft brands in the country covering Beer, Cider, Spirits and RTDs and the growth we are seeing is only the beginning."

H1 FY22 Financial Summary

A summary of key financial metrics for the Company is set out below

	H1 FY22 RESULTS	vs H1 FY21
Total Income	\$29.6m	+130%
Revenue ³	\$25.9m	+132%
EBITDA ⁴	\$(2.4)m	+\$2.4m
Underlying EBITDA ⁵	\$(2.0)m	+\$1.9m
Cash	\$10.7m	+\$6.4m

H1 FY22 reported revenue growth was +132% vs pcp and was driven by a combination of organic wholesale growth, the acquisition of the AHG group of companies and retail growth (both venues and D2C).

Wholesale Performance:

³ Revenue from Ordinary activities

⁴ EBITDA is a non-GAAP measure and management view it as an important indicator of performance

⁵ Underlying EIBTDA removes one off impacts (including but not limited to costs relating to the AHG acquisition and the sale and lease back of Jetty Road Dromana)

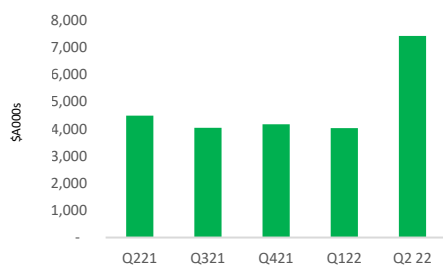


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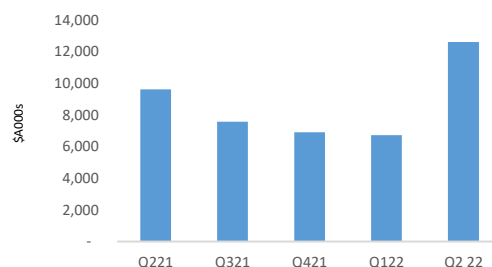
From a wholesale perspective, which makes up approximately 70% of group sales, growth was led by the Spirits / RTD category with 54% growth. Strong performance across Seven Seasons (+205.3% Growth) and Kangaroo Island Spirits (+53.4% Growth)

The charts below illustrate wholesale revenue over time⁶. Two views are included below both are on a like for like basis (i.e. including the historical sales of acquisitions) to give a clear view on performance.

Wholesale revenue excluding AHG



Wholesale revenue including AHG



From a Beer / Cider perspective, overall growth was +21.9% driven by strong growth of Better Beer (\$1.8m of sales from a November 2021 launch) and Jetty Road (22.4% growth) despite significant disruptions to on premise sales through COVID. Sales growth was impacted through handing back of the sales and distribution for Sauce (down 30% vs pcp) Performance of the Adelaide Hills Group of companies is covered below

Adelaide Hills Group performance:

Performance	Sales growth +23% Gross Margin 55%	Sales growth +12% Gross Margin 32.5%	Sales growth (12)% Gross Margin 41%	Sales growth (8.1)% Gross Margin 67%
Integration	<ul style="list-style-type: none"> Distribution back in house Sales and marketing Back office 	<ul style="list-style-type: none"> Sales and marketing Back office 	<ul style="list-style-type: none"> Sales and marketing Back office 	<ul style="list-style-type: none"> 100% owned (up from 75%) Venue management
Synergies	<ul style="list-style-type: none"> Sales and distribution including distributor margin Marketing & back office 	<ul style="list-style-type: none"> Sales and marketing Procurement (cans, kegs) Back office 	<ul style="list-style-type: none"> Sales and marketing Back office 	
Focus areas	<ul style="list-style-type: none"> Build Whisky Inventory and distribution Upweight brand investment Export 	<ul style="list-style-type: none"> Dominant South Australia Expansion into NSW Increase capacity and efficiency at Brewery 	<ul style="list-style-type: none"> Reset pricing and promotional strategy Brand Re-launch in H1 FY23 	<ul style="list-style-type: none"> Recovery post COVID Expansion of outdoor area to drive functions Brand execution (78 Degrees and MMBC)

⁶ Wholesale growth is illustrated on a Like for Like (“lfl”) basis including historical sales for the AHG group of companies to give investors a consistent view versus prior year excluding the impact of acquisitions.



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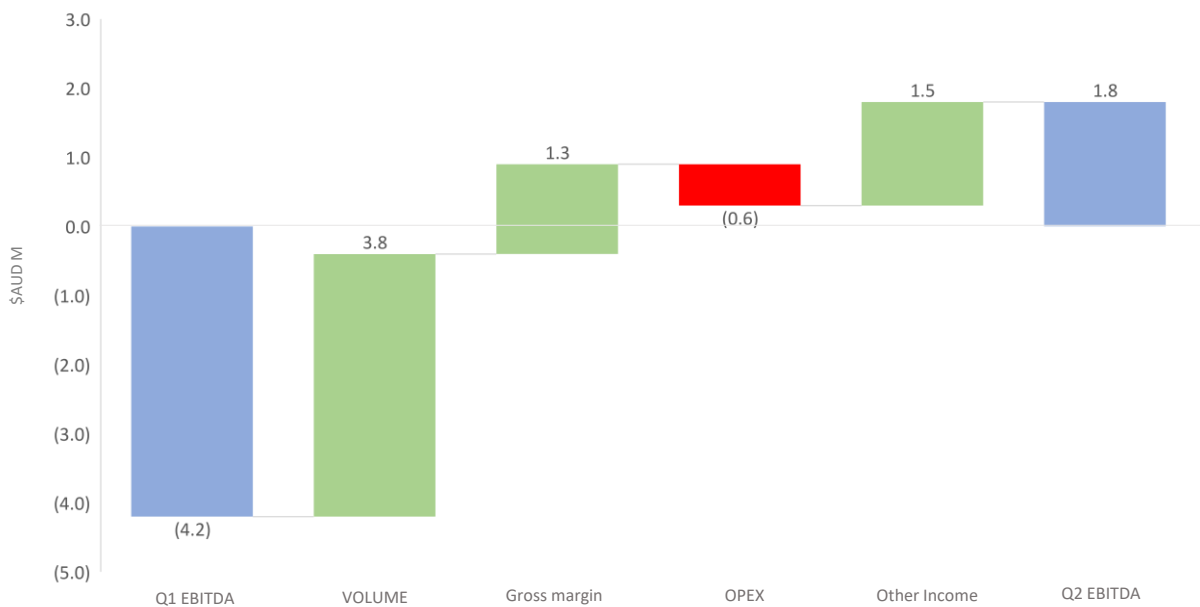
Overall performance of the AHG group of companies was reasonably strong given the impact of COVID across the on-premise channel. AHG group revenue is weighted to the on-premise channel more than the broader MCL portfolio (~40% weighting versus approximately 20% for the total Group). Performance of the 78 Degrees business was impacted by the return of sales and distribution from a 3rd party – while this created some sales interruption the ongoing margin benefits and growth opportunities are significant.

COVID aside, the performance of the AHG companies is encouraging from a profitability point of view and synergy delivery is on track to the business case.

Profit Performance:

The profit trend improved in H1, especially in Q2 as scale increased and synergies from the acquisition of AHG group were delivered. The improvement in profit was largely driven by increased scale through the business and improving gross margins through mix and a full quarter of the AHG acquisition.

**Q1 FY22 vs Q2 FY22
EBITDA⁷ profit trend**



The Mighty Craft sales and distribution platform is designed for scale and Q2 was the first time that the business delivered the required scale to cover fixed costs and deliver an EBITDA profit. Going forward it is critical that the quarterly revenue is of sufficient scale to cover the costs of the platform (the company estimates this to be between \$16m - \$18m of sales per quarter with the right mix of retail, wholesale spirits and wholesale beer / cider).

⁷ EBITDA is a non-GAAP measure and management view it as an important indicator of performance



Looking ahead – key focus areas and initiatives:

Looking ahead the company is focussed on ensuring that the wholesale business reaches scale to ensure sustainable profit is delivered. The impact of COVID is very difficult to predict and is presenting ongoing challenges through the early parts of Q3 FY22 and the company will continue to prioritise the safety of its customers and staff. Key focus areas for H2:

- **Continue to execute against strategy to become Australia’s leading premium craft beverage company**
- Drive the Beer / Cider portfolio to scale led by Better Beer in the short term. **Full Year target of 8 million litres.**
- Better Beer sales were impacted materially through stock shortages in H1 and a key priority for H2 will be to build safety stock / inventory levels to ensure the sales opportunity is maximised. This will likely impact operating cashflow in Q3 and Q4 however the company firmly believes this is critical to building a national beer brand of scale and seizing the opportunity.
- Accelerate Spirits growth through Kangaroo Island Spirits relaunch and ongoing Seven Seasons growth. **Full year target of 250,000 Bottles** including strong D2C focus.
- Execute Whisky program (led by 78 Degrees and Hidden Lake in the short term) and **deliver 300,000 litres of Whisky** under maturation by the end of FY22.
- Ensure venues are ready to deliver improved top line performance and cashflow gains coming out of COVID.
- Rollout long term incentive program designed to retain key people.
- Drive focus on delivering **sustainable profit** across H2 FY22.
- Strategy update and roadshow planned for late March FY22.

Investor conference call

Event details

Date: 24th February 2022

Time: Midday AEDT

To join the briefing, participants must pre-register by navigating to

<https://s1.c-conf.com/diamondpass/10019943-rmk43a.html>



This announcement has been authorised and released by board of Mighty Craft

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About Mighty Craft

Mighty Craft (ASX:MCL) is a craft beverage accelerator with a nationally diversified portfolio of craft beverages. It has built a unique infrastructure and distribution offering that enables the company to scale production, distribution and sales as it seeks to become Australia's leading premium craft beverage company. Mighty Craft is achieving its vision by strategically investing in craft beverage producers, with celebrated local brands, and providing them with leadership, growth capital and industry solutions to maximise brand awareness and accelerate growth, whilst achieving scale. Mighty Craft is proud to be taking local Australian craft beer and spirits brands to customers Australia wide and abroad.