

Mighty Craft Limited (MCL) Investor Presentation August 2022



mighty
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A man with a beard and a black baseball cap stands in a forest, holding a large, thick branch. He is wearing a black t-shirt with a small circular logo on the chest. The background is a dense forest with many thin trees and some green leaves. The lighting is soft, suggesting a misty or overcast day. The text "Combining our strengths, so our craft community thrives. Stronger together." is overlaid on the right side of the image in a white, sans-serif font.

Combining our strengths,
so our craft community
thrives. Stronger together.

Snapshot of Mighty Craft.

Vision	Australia's leading craft drinks business.		
Purpose	Combining our strengths, so our craft community thrives. Stronger together.		
Our Business	Beer / Cider / RTD		Spirits
	Australia's #1 locally owned beer / cider business.    	Australia's leading premium spirits company, globally.   	
Our Assets	Our Brands	Customer Relationships	Customer Database
	Our People	National Distribution	Scalable Production
Strategic Priorities	<ul style="list-style-type: none">• Realise intrinsic brand value over time• Accelerate globally relevant spirits portfolio• Drive group efficiency, synergies and sustainable profit		<ul style="list-style-type: none">• Retain industry leading team industry experts• Simplify and focus the business model• Long term shareholder value creation
Enablers	Shared Services	Digital Assets	Venues

All volume ambitions delivered for FY22.

Building scale across multiple categories including Beer, Cider, RTD, White Spirits and Dark Spirits.

	FY22 Ambition	FY22 Actual	Growth %
Beer, Cider & RTD	8m LITRES	8m LITRES	+370%
Spirits	250k BOTTLES	264k BOTTLES	+174%
Whisky under maturation	300k LITRES	334k LITRES	NA

Group highlights.

Record sales growth in a challenging operating environment.

Revenue¹ **\$62.6m** **+207%**

Gross Margin¹ **34.2%** **+3.1 pps**

EBITDA^{1,2} **\$(11.6)m** **+4%**

Cash **\$3.7m** **vs \$4.3m FY21**

Underlying EBITDA^{1,2,3} **\$(6.3)m** **+36%**

Net Assets **\$60.1m** **+133%**

1. All profit and loss numbers represent financial performance of continuing operations only.
2. EBITDA is a non-IFRS measure that the company believes is an important indicator of performance.
3. Underlying EBITDA excludes one off impacts including acquisition and integration costs associated with the AHG acquisition, redundancies, share based payments, one off impact of loan modification and one off legal fees.

Key Profit Impacts¹

Key areas that impacted profit FY22

Impact

Venue Performance

Adelaide Hills Group performance

Group complexity

One off costs and inflationary headwinds

Driver

On premise chanel impacted by COVID.
COVID lockdowns.

Lot 100 COVID Impacted.
On premise exposure ~40% COVID impacted.
Cider Category in decline.

Growing pains / inefficiencies.
IS integration requirements (ERP).

Share based payments.
Increased Debt facility.
Project Milan costs.
Inflation.

Response

Divest non core assets.
Post COVID normalised trading.

Post COVID normalised trading including on premise.
Cider relaunch in H1.

Initial steps rightsizing overhead base.
Ongoing investment in digital infrastructure.

Staff retention.
Funding.
Price increases executed from Q1 FY23.

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Beer / Cider FY22 performance.

Progress against strategic priorities

On/Off track

Comments

- Build Better Beer into a top 10 beer brand.



Disrupting mainstream beer
4.3m litres since launch.

- Dominate local markets with JR, Mismatch and Ballistic.



Strong distribution gains in home states.
On premise impacted by COVID.

- Drive improvement in gross margins.



Cycling national distribution start up costs.
Inflationary headwinds.

- Innovate and reposition Hills Cider as the #1 locally owned, 'better for you' cider brand.



Growing share in a challenging category.
Relaunch in H1 FY23.

Litres

8m

+370%

Gross
Margin

26.9%

+7.9 pps

Headwinds

- On premise impacted by COVID.
- Inflationary pressure.
- Cider category decline.

Tailwinds

- Better Beer momentum.
- National off premise strength.
- Defensive category .

Better Beer performance.

Key performance drivers

- The largest new beer launch in Endeavour Group in recent years
- 'Better for you' innovation in Zero Alc and Ginger.
- Production capacity secured for medium term.
- NZ launch in H1 FY23

"Better Beer is the biggest new beer launch in the beer category in a number of years – we think this brand has the potential to become a significant national brand".

Harriet Wischer, Category Manager
Commercial Range & Pinnacle Beer / Cider
Endeavour Group



Sales

\$19m

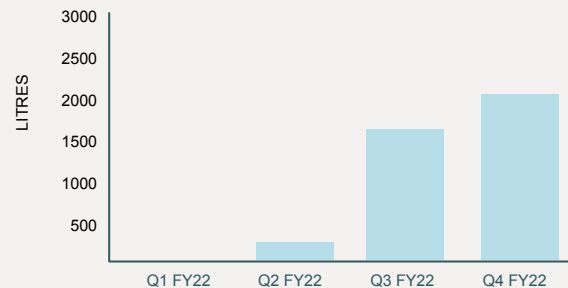
Oct 21
Launch

Litres

4.3m

Oct 21
Launch

Better Beer Volume FY22



Spirits FY22 performance.

Progress against strategic priorities

On/Off track

Comments

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Increase brand investment to build brand awareness and footprint. | ● | Spirit volume up 174% vs prior year. Distribution gains impacted by delay of Kangaroo Island relaunch.. |
| <ul style="list-style-type: none"> • Accelerate whisky sales through national distribution and export. | ● | Whisky national distribution late FY22. Export impacted by COVID and available stock. |
| <ul style="list-style-type: none"> • Whisky Development Syndicate to fund whisky expansion. | ● | \$3.8m of Whisky inventory funded by the WDS vs \$10m target. |
| <ul style="list-style-type: none"> • Export - take our unique brands to the world. | ● | Brown spirits in demand. Export agreements executed into China, Europe and North America late FY22. |

Bottles

264k

+174%

Gross Margin

37%

+ 2.6 pps

Headwinds

- On premise impacted by COVID
- Inflationary pressures

Tailwinds

- Distribution gains
- Export demand
- Premiumisation trend continuing
- Whisky demand exceeding supply

Venue FY22 performance.¹

Progress against strategic priorities	On/Off track	Comments
• Drive brand awareness and consumer trial.	●	Patronage impacted by COVID.
• Data capture for direct consumer marketing.	●	Data capture building communities and facilitates direct marketing however COVID impacted.
• Drive retail margin to MCL.	●	Patronage impacted by COVID.
• Generate positive cash flow and earnings.	●	Branded venues 10% EBITDA margin vs 15% target.

Revenue \$11.4m vs PCP +82%

EBITDA \$1.3m +10%

Headwinds

- COVID disruptions
- Staffing issues driven by COVID
- Inflationary pressures

Tailwinds

- Regional tourism
- Post COVID bounce
- Brewpub and Distillery cellar door popularity

1. Financial information reflects continuing operations only

Adelaide Hills Group (AHG) performance.

Progress against strategic priorities	On/Off track	Comments
<ul style="list-style-type: none"> Integrate AHG companies into MCL business. 	●	Four businesses integrated within three months of acquisition.
<ul style="list-style-type: none"> Drive transformational scale into MCL business. 	●	\$18.2m of sales in FY22 On premise / COVID impacts.
<ul style="list-style-type: none"> Deliver synergy benefits. 	●	Organisation and distribution synergies delivered in FY22. Manufacturing on hold until H2 FY23.
<ul style="list-style-type: none"> Generate positive cash flow and earnings in line with acquisition case. 	●	Earnings off track in year 1. Target back on business case in year 2.

Revenue \$18.2m

EBITDA \$3.4m

Headwinds

- COVID disruptions
- High on premise exposure ~ 40% mix of business
- Cider category in decline

Tailwinds

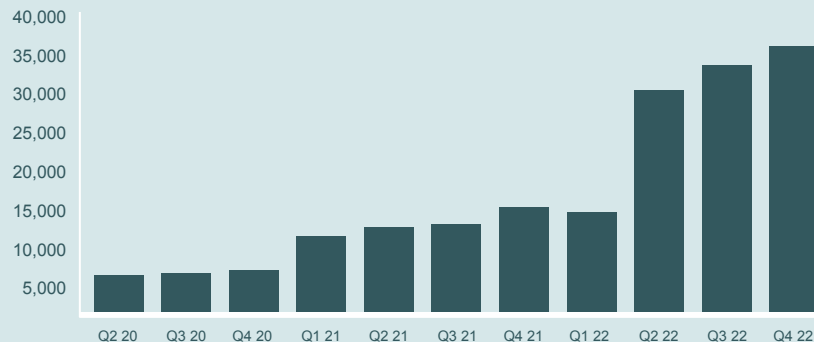
- Mature Whisky stock
- On premise rebound post COVID
- Export demand for Whisky

Wholesale - sales and distribution performance.

Key performance and highlights

- Over 35,000 total distribution points (+153% vs pcg)
- +355% growth in sales to national retailers
- Over 3,500 individual distribution points in supermarkets through No / Low alcohol offerings

Wholesale Distribution Growth (total group)
Distribution represents unique distribution points for individual products



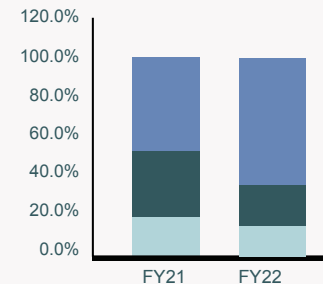
Key partners



Wholesale - Shifting channel mix.

On premise mix of business declined to 15% from 21% in FY21.

Channel mix
FY21 vs FY22



- Nationals
- Off premises
- On premises

Financial results.



FY22 Group Profit & Loss¹

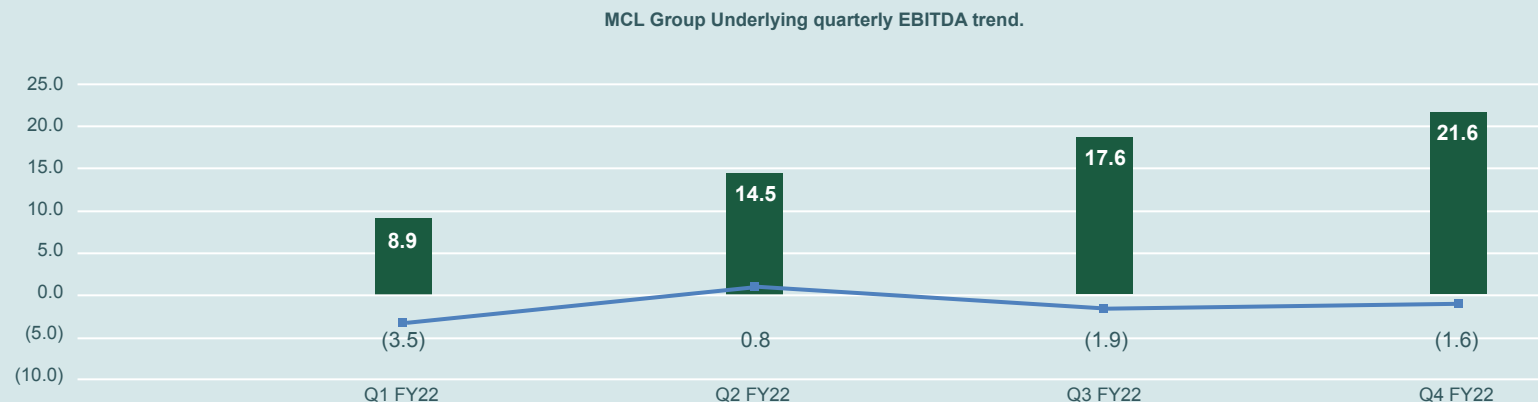
PROFIT LOSS				
AU\$ million	FY22	FY21	% Change	
Revenue	62.6	20.4	207%	AHG acquisition, Better Beer and organic growth
Other income	0.9	1.4	(36%)	
Total Income	63.5	21.8	191%	
Gross margin	21.4	6.4	234%	
Gross margin %	34.2%	31.1%	3.1 pps	
Operational expenses	(33.9)	(19.9)	(70%)	
Employee costs	(20.1)	(12.3)	(63%)	Includes venues and AHG acquisition
Legal and professional fees	(3.2)	(3.0)	(7%)	One off acquisition costs
Selling and marketing expenses	(3.9)	(1.7)	(129%)	Increase in marketing investment with scale
G&A	(2.9)	(1.7)	(70%)	
Other costs	(2.6)	(1.2)	(117%)	
Non-cash adjustments	(1.2)	-		Accounting for increased debt facility
EBITDA	(11.6)	(12.1)	4%	
EBIT	(14.3)	(13.0)	(10%)	
NPAT from continuing operations	(17.0)	(13.9)	(22%)	
Loss attributable to MCL	(17.0)	(13.5)	(26%)	Adjusting for equity ownership
Underlying EBITDA ²	(6.3)	(9.8)	36%	Removing one off costs

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FY22 Group Balance Sheet

BALANCE SHEET				
AU\$ million	Jun-22	Jun-21	% Change	
Current Assets	34.0	14.3	138%	
Cash and cash equivalents	3.7	4.2	(12%)	Pure Asset facility undrawn \$5.7m
Trade receivables	4.5	3.2	41%	
Inventory	10.9	5.9	85%	Inventory growing with sales and includes Whisky stocks
Other current assets	4.7	1.0	370%	
Assets of Disposal Groups	10.2	-	-	Mighty Venues and Foghorn
Non-Current Assets	79.3	43.4	83%	
Receivables	0.3	0.3	-	
Investments	7.6	8.7	(13%)	
Property, Plant and Equipment	13.3	12.5	6%	
Right-of-use assets	10.7	13.6	(21%)	
Intangible assets	46.6	7.9	490%	Acquisition of AHG group of companies
Other non-current assets	0.8	0.4	100%	
Total Assets	113.3	57.7	96%	
Accounts payable	11.6	9.3	25%	
Other current liabilities	5.8	2.0	190%	
Liabilities of Disposal Groups	7.0	-	-	Mighty Venues and Foghorn
Non-current liabilities	28.8	20.6	40%	
Total Liabilities	53.2	31.9	67%	
Net Assets	60.1	25.8	133%	
Total Equity	60.1	25.8	133%	

Underlying Profitability Trend.^{1,2}



Underlying EBITDA trend improving, albeit some significant headwinds across the year.

Q1 Venues and on premises performance poor, COVID lockdowns, seasonally low period.

Q2 Venues improving, peak period, Better Beer launch, excise remission.

Q3 Venues and on premises poor, Better Beer strong.

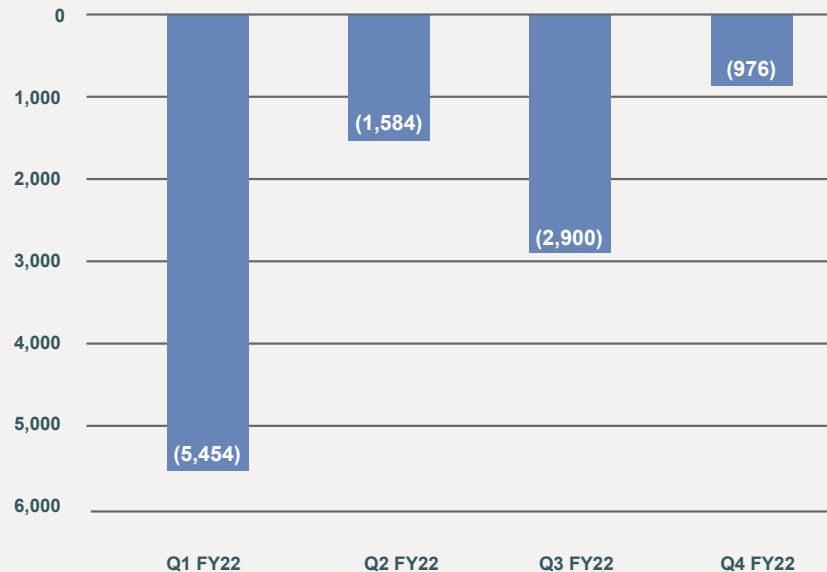
Q4 Venues poor, on premises improving, inflationary headwinds.

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Cashflow / Capital Management.

Operating cash flow trend across FY22 improving as the business scales.

Net cashflow from operating activities



FY23 Outlook.



FY23 Priorities.

Growth

Deliver against volume growth targets, focussing investment on priority brands
Relentless focus on the customer.

Capital & cost management

Execute capital management program
Simplification and divestment of non core
Leaner operating model.

Profit

Positive earnings and free cashflow out of
remaining venues portfolio.

People

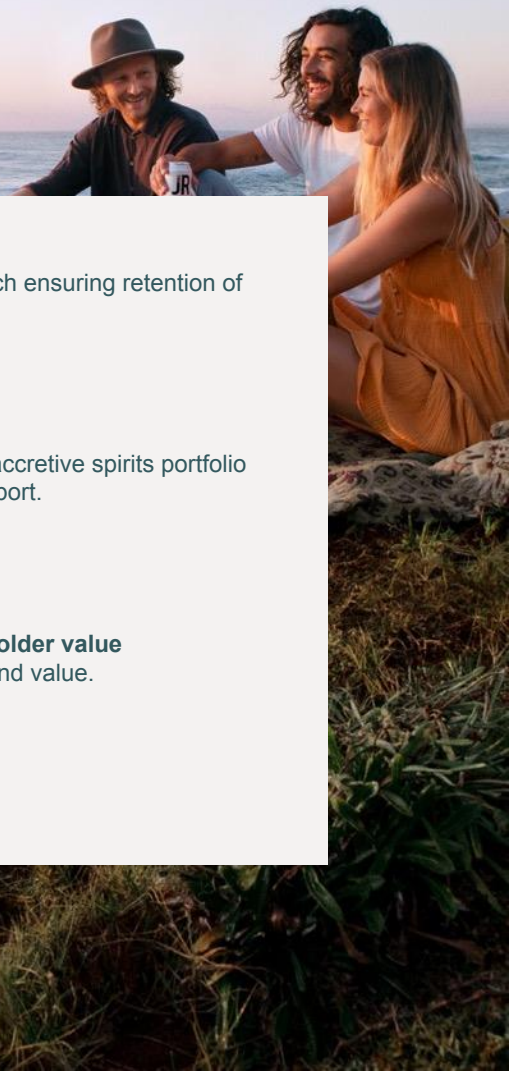
People-first approach ensuring retention of
key management.

Accelerate spirits

Accelerate margin accretive spirits portfolio
growth including export.

Unlocking shareholder value

Unlock intrinsic brand value.



FY23 Ambition.

All volume targets delivered in FY22.

Ambitious growth targets for FY23 putting MCL on track to deliver against the FY25 ambition.

	FY22 Actual	FY23 Ambition	FY25 Ambition
Beer, Cider & RTD	8m LITRES	14m LITRES	24m LITRES
Spirits	264k BOTTLES	400k BOTTLES	1m BOTTLES
Maturing Whisky	334k LITRES	535k LITRES	1.5m LITRES

These are the Company's ambitions only and are not provided as forecasts. No reliance should be made on these statements.

Beer / Cider FY23 priorities.

Progress against strategic priorities

- Build Better Beer into a top 10 beer brand.
- Dominate local markets with JR, Mismatch and Ballistic.
- Drive improvement in gross margins.
- Innovate and reposition Hills Cider at the #1 locally owned, 'better for you' cider brand.



Litres

10m

Growth

+132%



0.6m

+20%



1.3m

+33%



1.2m

+17%

TOTAL

14m

+75%

Spirits FY23 priorities.

Progress against strategic priorities

- Increase brand investment to build brand awareness and distribution footprint.
- Accelerate whisky sales through national distribution gains and build Whisky under maturation.
- Close Whisky Development Syndicate to fund whisky expansion.
- Export - take our unique brands to the world.



Bottles

259k

Growth

+70%



62k

+22%



76k

+26%

TOTAL

400k

+51%

In Summary.

FY22

All volume commitments delivered in a difficult operating environment.

Earnings impacted by COVID, slow start for AHG companies, venue performance and one off non-cash impacts.

Positive underlying EBITDA and operating cashflow trend.

Strategic

Macro theme positive with growth expected to continue.

Corporate ambition and strategy unchanged from March strategy update.

Unlock intrinsic brand value.

FY23

Drive for sustainable profit and free cashflow.

Ambitious volume targets – on track for FY25 ambition.

No significant capital investments planned.

Funding

Conservative capital management and investment strategy.

Divest non core assets – recycle capital.

Improving operating cashflow trend.

Fast Start to FY23

Distribution gains on spirits from Q1 FY23.

Cycling lockdowns in venues.

Cycling COVID Impacts in the on premise.

People

Health and safety #1 priority.

Long-term retention program in place for key management team.

Board capability review underway.

