

MARLBOROUGH WINE ESTATES ANNOUNCES FY24 RESULTS

For the year ended 30 June 2024 (FY24)

Continued focus on distribution and branded sales

MWE's continued focus on growing its distribution and premium branded wines saw branded sales revenues and volumes increase by 5% and 2.8% in FY24 respectively.

This pleasing outcome was driven by broader distribution in New Zealand, which resulted in an increase of 16.8% in branded sales revenue, offset by lower shipments to international markets.

International Markets

This has been a challenging year for the New Zealand wine industry, as global customers reduced inventory levels and adjusted purchasing patterns as global shipping patterns have normalised, which led to a decline in packaged wine export volumes compared to the previous year.

Export volumes during the second half of FY24 have grown on the prior year reflecting continued consumer demand in key markets, which position the industry well for a stronger export performance in FY25.

The US market remains the largest export wine market for New Zealand wine at 100m litres, a reduction of 6% on the prior year. The OTU brand has been imported into the US market for just over two years and has continued to expand its distribution, now sold in over 30 states. The on-premise segment of the US market has slowed down during FY24 and we are working with our importer to broaden our in-market distribution into retail and grocery markets now the OTU brand has established a distribution base.

In Canada, the OTU brand was selected for releases across two varieties by the Liquor Control Board of Ontario, and further two more releases have been selected for FY25. OTU Sauvignon Blanc is also now distributed in Manitoba.

In the UK market, there were significant in-market headwinds due to excise tax increases and recessionary pressures, which led the overall UK market to a 12% volume decrease. Despite this OTU's exported volume to UK has increased slightly by 4% compared to the prior year. We are working with our distributor on programmes to drive broader distribution, as the reduced vintage from 2024 harvest will present more opportunities for OTU to grow in UK, despite being a more mature market.

New Zealand market remains strong

The OTU wine brand is continuing its growth in the premium price segment in the New Zealand grocery market¹, where our wines are consistently ranked inside the top 10 in both revenue and volume.

During FY24, New Zealand's total wine consumption volume decreased by 7.9%, primarily due to challenging market conditions and rising prices. Despite these headwinds, OTU wines continued to find favour with consumers of premium wines, with MWE's New Zealand sales volume growing by 14% compared to the last financial year, showcasing the resilience and growth potential of MWE's brands.

A Small 2024 Vintage

The 2024 harvest has delivered grapes of exceptional quality, with the warm and dry conditions leading to an earlier harvest in fully ripe and excellent condition.

¹ according to Nielsen data

However, as previously reported, the Marlborough region experienced extremely dry conditions across the growing season and recorded its lowest rainfall for the 9 months to February in 94 years, with the conditions continuing throughout March. The dry conditions and variable weather conditions during flowering last year slowed vine growth and impacted bunch and berry size and weight.

Given global export volumes slowed in the first six months of the year for the industry, there was a reduction in grape sales prices in Marlborough for Vintage 2024.

As a result of these growing conditions the harvest from MWE's vineyards reduced 32% on long term average yields and 36% on last year. The lower yield and reduced grape prices had a significant impact on MWE's profitability in this financial year.

Consequently, MWE reduced its bulk wine sales in FY24 and this, together with the harvested grapes will enable the group to pursue growth of its branded wine sales in domestic and international markets for the year ahead.

We remain positive about the future for our brands. The long term demand and supply equations remains favourable, as New Zealand wine remains one of the only categories showing growth in many major export markets.

Financial Performance

For the year ending 30 June 2024, MWE reported revenue of \$8.35 million, marking a 11.4% decrease from the previous year. This decline was primarily driven by reduced bulk wine sales and slower international shipments, with external grape sales slightly lower than in the previous year.

As noted above, the smaller vintage yields had a significant impact on profitability, reflected in gross profit falling from \$3.63 million to \$0.64 million, as lower yields are recorded as higher costs of sales.

As a result, the Group posted a net loss of \$3.29 million after tax, compared to a profit of \$295,000 in FY23. A tax asset of \$0.72m, has not been recorded, however will be available to offset against future profits. The Group also experienced a net cash outflow of \$2 million from operating activities given the lower revenues, compared to an inflow of \$619,000 in FY23.

As in prior years, the group commissioned an updated vineyard holdings valuation, which resulted in a decrease of \$2.82 million being recorded in the financial statements, compared to an increase of \$1.05 million in the previous year, and \$13.09m in the past three years.

Vineyard valuation movement (\$'000)

FY21	FY22	FY23	FY24
3,180	8,861	1,049	(2,819)

Looking Ahead

The MWE team remains focused on building a robust branded wine business, expanding its international distribution network, and enhancing profitability in the coming years. The OTU brand continues to be well received in domestic and global markets, and our team are focussed on our market development strategies.

The reduced yield in the 2024 vintage presents additional growth opportunities in key export markets for New Zealand wine, as New Zealand maintains a strong presence and momentum with sales to consumers in most key international markets increasing year on year. MWE continues to focus on growing premium branded wine revenue in both New Zealand and overseas markets and is working closely with its importing and distribution partners to drive continued growth in these critical markets.

Company Announcement
29 August 2024



The Board would like to thank our team, suppliers, business partners and shareholders for their continued support over the last year.

We look forward to a stronger and improved FY25.

Min Jia Conan Wang
Chairman Acting Group Chief Executive Officer

For media assistance and enquiries, please contact: Jackie Ellis on 027 246 2505 or email jackie@ellisandco.co.nz.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

Unaudited

	Note	Group Year Ended June 2024 \$	Group Year Ended June 2023 \$
Revenue	1	8,349,358	9,426,455
Cost of sales		(7,712,870)	(5,793,153)
Gross profit		636,488	3,633,302
Other operating income		130,673	74,257
Selling, marketing and promotion expenses		(1,370,722)	(1,418,610)
Administration and corporate governance expenses		(2,238,929)	(1,418,119)
Profit before tax and finance cost		(2,842,490)	870,830
Finance income - financial assets at amortised cost		2,795	1,819
Finance costs		(707,906)	(436,442)
Net finance cost		(705,111)	(434,623)
(Loss) / profit for the period before taxation		(3,547,601)	436,207
Tax benefit / (expense)		248,160	(141,014)
Profit for the period attributable to shareholders of the company		(3,299,441)	295,193
Other comprehensive income (OCI)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property, plant and equipment		(2,818,609)	1,048,971
Income tax on items taken directly to or transferred from OCI		141,075	(117,511)
Other comprehensive (loss) / income for the year, net of tax		(2,677,534)	931,460
Total comprehensive (loss) / income for the period attributable to the shareholders of the Company		(5,976,975)	1,226,653
Basic and diluted (loss) / earnings per share		(0.011)	0.001

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

Unaudited

Group	Share Capital	Capital contribution	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
Balance at 30 June 2022	16,416,098	210,886	(3,372,312)	16,444,420	39,783	29,738,875
Total comprehensive income for the year						
Profit for the year	-	-	295,193	-	-	295,193
Other comprehensive income	-	-	-	931,460	-	931,460
Total comprehensive income for the year	-	-	295,193	931,460	-	1,226,653
Transactions with owners						
Capital contribution via interest-free loan	-	114,893	-	-	-	114,893
	-	114,893	-	-	-	114,893
Balance at 30 June 2023	16,416,098	325,779	(3,077,119)	17,375,880	39,783	31,080,421
Total comprehensive income for the year						
Profit for the year	-	-	(3,299,441)	-	-	(3,299,441)
Other comprehensive income	-	-	329,199	(3,006,733)	-	(2,677,534)
Total comprehensive income for the year	-	-	(2,970,242)	(3,006,733)	-	(5,976,975)
Transactions with owners						
Capital contribution via interest-free loan	-	51,182	-	-	-	51,182
	-	51,182	-	-	-	51,182
Balance at 30 June 2024	16,416,098	376,961	(6,047,361)	14,369,147	39,783	25,154,628

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

Unaudited

	Group June 2024 \$	Group June 2023 \$
ASSETS		
Current assets		
Cash and bank balances	425,716	417,426
Accounts receivable	1,248,850	1,082,550
Inventory	5,341,659	6,471,214
Biological work in progress	390,203	484,674
Prepayments	66,627	113,899
GST receivable	-	48,282
Income tax receivable	18,864	-
Total current assets	7,491,919	8,618,045
Non-current assets		
Property, plant and equipment	30,094,946	34,168,220
Deposits paid	20,000	20,000
Related party loan	39,490	44,206
Investments	28,365	28,365
Right-of-use assets	244,525	96,698
Intangible assets	11,734	15,290
Total non-current assets	30,439,060	34,372,779
Total assets	37,930,979	42,990,824
LIABILITIES		
Current liabilities		
Trade and other payable	1,022,029	1,627,705
Employee benefit liabilities	96,573	164,011
Contract liability	181,440	120,000
Lease Liabilities	127,046	107,503
Interest bearing borrowings	54,412	51,938
Income tax payable	-	52,415
GST payable	15,298	-
Total current liabilities	1,496,798	2,123,572
Non-current liabilities		
Shareholder Loan	957,858	1,363,379
Interest bearing borrowings	7,267,273	5,077,840
Lease Liabilities	115,935	17,890
Deferred tax	2,938,487	3,327,722
Total non-current liabilities	11,279,553	9,786,831
Total liabilities	12,776,351	11,910,403
Total net assets	25,154,628	31,080,421
EQUITY		
Share Capital	16,416,098	16,416,098
Capital contribution	376,961	325,779
Share-based payment reserve	39,783	39,783
PPE revaluation reserve	14,369,147	17,375,880
Accumulated losses	(6,047,361)	(3,077,119)
Total equity	25,154,628	31,080,421

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

Unaudited

	Note	Group Year Ended June 2024 \$	Group Year Ended June 2023 \$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		8,244,498	10,135,781
Other income		130,673	72,552
GST refund		65,420	53,304
Interest received		2,795	1,819
		<u>8,443,386</u>	<u>10,263,456</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers and employees		(9,803,553)	(9,293,526)
Interest paid on loans and borrowings		(582,196)	(340,572)
Interest paid on lease liabilities		(11,972)	(10,079)
Income tax paid		(71,279)	(8)
		<u>(10,469,000)</u>	<u>(9,644,185)</u>
Net cash flow (used in) / generated by operating activities	2	<u>(2,025,614)</u>	<u>619,271</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sales of property, plant and equipment		496,648	4,789
		<u>496,648</u>	<u>4,789</u>
<i>Cash was disbursed to:</i>			
Payments for property, plant and equipment		(142,197)	(606,212)
		<u>(142,197)</u>	<u>(606,212)</u>
Net cash flow generated / (used in) investing activities		<u>354,451</u>	<u>(601,423)</u>
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowing		3,000,000	1,389,430
		<u>3,000,000</u>	<u>1,389,430</u>
<i>Cash was disbursed to:</i>			
Repayment of lease liabilities		(128,609)	(117,484)
Repayment of loans		(1,191,938)	(1,209,652)
		<u>(1,320,547)</u>	<u>(1,327,136)</u>
Net cash flow generated by financing activities		<u>1,679,453</u>	<u>62,294</u>
Net movement in cash and cash equivalents		8,290	80,142
Cash and cash equivalents at the beginning of the year		417,426	337,284
Cash and cash equivalents at the end of the year		<u>425,716</u>	<u>417,426</u>

1 Sales

	Year Ended June 2024	Year Ended June 2023
	\$	\$
Grape sales	1,453,691	1,614,054
Bulk wine sales	882,822	2,085,817
Branded wine sales	6,012,845	5,726,584
	<u>8,349,358</u>	<u>9,426,455</u>

Prices of certain grape sale agreements are based on the Marlborough district regional average price (MDA) which will become available sometime in the following financial year. The Group uses its best estimation of transaction prices for each agreement to record the revenue. Adjustments, if any, will be made when the official regional price is published.

Segment Reporting

The Group operates in the wine industry and is considered to operate in a single segment.

The Group operates in one principal geographical area - Marlborough, New Zealand. During the financial year, the majority of Group's sales were generated from supplying products to customers based in New Zealand, the United States and UK/Europe. At the reporting date, the Group held all non-current assets in Marlborough, New Zealand.

The below represents a geographical analysis of sales:

	Year Ended June 2024	Year Ended June 2023
	\$	\$
New Zealand and Oceania	6,551,623	6,259,683
North America (USA and Canada)	933,614	1,664,426
UK/Europe	407,983	922,869
Australasia	456,138	579,477
Total	<u>8,349,358</u>	<u>9,426,455</u>

For the year ended 30 June 2024, there were 2 customers (30 June 2023: 2 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was \$4.03 million (30 June 2023: \$3.85 million). The following table shows the sales amount to those customers.

	Year Ended June 2024	Year Ended June 2023
	\$	\$
Customer A	2,875,050	1,405,090
Customer B	1,151,389	2,505,724
Total	<u>4,026,439</u>	<u>3,910,814</u>

2 Notes to Cash Flow Statement

Reconciliation of net (loss) / profit after tax to net cash flow from operating activities:

	Year Ended June 2024	Year Ended June 2023
	\$	\$
Net (loss) / profit after tax	(3,299,441)	295,193
Add: Non-cash items		
Amortisation	3,556	4,472
Depreciation on PPE and ROU assets	1,002,652	816,250
Interest expense on shareholder loan	85,661	63,658
Deferred tax movement recognised in profit and loss	(248,160)	88,914
Loss on disposal of PPE assets	18,547	-
Prepayment classified to borrowings	(56,155)	-
Other non-cash adjustment	(17,899)	2,094
 (Increase)/decrease in assets:		
(Increase) / Decrease in accounts receivables	(166,300)	589,326
Decrease / (Increase) in GST receivable	63,580	53,304
Decrease / (Increase) in inventory	1,129,555	(1,394,504)
Decrease / (Increase) in biological work in progress	94,471	438,989
Decrease / (Increase) in deposit paid	-	26,625
Decrease / (Increase) in prepayments	47,272	(47,886)
 Increase / (Decrease) in liabilities:		
(Decrease) / Increase in trade payables	(605,676)	55,023
(Decrease) / Increase in employee benefit liabilities	(67,438)	32,264
Increase / (Decrease) in revenue received in advance	61,440	120,000
(Decrease) / Increase in tax paid	(71,279)	52,092
 Items reclassified to investing activities	-	(576,543)
 Net cash provided by operating activities	(2,025,614)	619,271