

MARLBOROUGH WINE ESTATES ANNOUNCES FY21 RESULTS

For the year ended 30 June 2021 (FY21)

- Solid progress implementing the branded wine growth strategy in New Zealand and through expanded international market distribution
- 5% increase in revenue for the year driven by 41% growth in branded wine sales
- While a premium vintage, the lower 2021 harvest yield reduced the volume of grapes available for sale, impacting on results
- Increased investment into marketing, people, governance and IT systems to support growth
- Company is in a strong financial position, with low debt, a refreshed Board, new winemaker, and targeted growth opportunities.

Award winning New Zealand wine company, Marlborough Wine Estates Group Limited (NZX: MWE), has reported its unaudited preliminary results for the year ending 30 June 2021 (FY21), with increased revenue and branded wine sales.

There is continuing strong demand for New Zealand wines, in both domestic and international markets. Good progress has been made expanding MWE's New Zealand distribution with new listings in Countdown and Foodstuffs supermarket chains, and expanded market share as consumers in lockdown turn to trusted brands on retail shelves.

Internationally, the company shipped its first significant orders to Canada, Malaysia and Singapore. Consistent orders also continue to be received from existing clients in China, Japan, Taiwan, and Australia despite the in-market and logistics challenges posed by COVID-19.

The company reported revenue of \$6.7m, up 5% on the prior year. Branded wine sales increased from 28,000 to 38,000 cases (9le), delivering a 41% increase in branded wine sales revenue to \$3.9m. The revenue result was impacted by the previously reported reduction in the volume of grapes harvested for Vintage 2021, which reduced the grape and bulk wine revenues by 22% to \$2.9m. Gross margin was similarly impacted, primarily due to the lower vintage yield. The company's grape supply are progressively freeing up and MWE intends to allocate its supply to support its strategy and growth plans.

A number of growth opportunities have been identified and investment has been made into marketing and people, as well as governance and IT to support MWE's continued growth momentum.

Pleasingly, the long running dispute between the Ministry of Primary Industries (MPI) and MWE's former contracted wine processor and the insurance company has been concluded, with MWE receiving settlement of \$240,000 after deducting legal costs.

MWE reported a net loss after tax of \$0.6m for the year, reflecting predominantly the impact of the lower 2021 harvest on grape sales and increased cost of sales, and some investment into growth.

The company undertook a small capital raise in February 2021, raising \$1.24m (net of capital raising cost). The proceeds are being utilised to support MWE's growth strategy and invest in higher inventory levels to meet expected future demand. Cash and cash equivalents were \$1.7m at year end and working capital was \$5.7m improved from last year \$4.9m. The \$5.3m bank loan was extended to September 2023.

Outlook

MWE has a strong financial structure with a low debt position and The Board is confident the company is well placed for further growth in the coming years. The focus of the new financial year is on continuing to develop the distribution network and branded wine sales by optimising the marketing investments to drive profitability and sustainable revenue growth.

CEO of Marlborough Wine Estate, Catherine Ma, said: "We are positioning the business to take advantage of opportunities to maintain strong growth momentum in branded wine sales in both New Zealand and internationally. We will be building on our existing distribution relationships and are pleased to recently announce the appointment of premium wine distributor, Hayward Bros, as the UK distributor for our OTU Estate brand.

Growth initiatives in FY22 are focused on:

- Further growth in sales of MWE's premium wines
- Continuing expansion and growth into international markets
- Investment into digital marketing to grow MWE's online presence and capture the direct-to-market consumer.
- MWE will look for opportunities to grow by acquisition, expanding its supply and distribution channels.

MWE continues to monitor the impact of the COVID-19 pandemic around the world, including the supply chain challenges. With Covid-restrictions expected to ease in many key markets, and continued strong export demand, MWE is confident it is positioned to capture new opportunities and grow its revenue and profitability.

ENDS

Company Announcement
30 August 2021



Authority for this announcement

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

Unaudited

	Note	Group Year Ended June 2021 \$	Group Year Ended June 2020 \$
Revenue	1	6,735,685	6,402,493
Cost of sales		(5,450,011)	(4,238,875)
Gross profit		<u>1,285,674</u>	<u>2,163,618</u>
Other operating income		404,835	261,230
Selling, marketing and promotion expenses		(1,319,927)	(1,153,684)
Administration and corporate governance expenses		(925,697)	(1,003,565)
Profit / (loss) before tax and finance cost		<u>(555,115)</u>	<u>267,599</u>
Finance income		178	35
Finance costs		(273,185)	(250,441)
Net finance cost		<u>(273,007)</u>	<u>(250,406)</u>
Profit / (loss) for the period before taxation		<u>(828,122)</u>	<u>17,193</u>
Tax (expense) / benefit		212,535	(7,228)
Profit / (loss) for the period attributable to shareholders of the company		<u>(615,587)</u>	<u>9,965</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property, plant and equipment		3,179,993	6,887,105
Income tax on items taken directly to or transferred from equity		(303,313)	(1,556,521)
Other comprehensive income for the year, net of tax		<u>2,876,680</u>	<u>5,330,584</u>
Total comprehensive (loss) for the period attributable to the shareholders of the Company		<u><u>2,261,093</u></u>	<u><u>5,340,549</u></u>
Basic and diluted earnings / (loss) per share		<u><u>(0.002)</u></u>	<u><u>0.000</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

Unaudited

Group	Note	Share Capital	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
Balance at 30 June 2019		15,174,626	(3,161,946)	-	108,247	12,120,927
Total comprehensive income for the year						
Profit for the year		-	9,965	-	-	9,965
Other comprehensive income		-	-	5,330,584	-	5,330,584
Total comprehensive income for the year		-	9,965	5,330,584	-	5,340,549
Transactions with owners						
Share-based payment expenses		-	-	-	(1,389)	(1,389)
Share options forfeited		-	66,508	-	(66,508)	-
		-	66,508	-	(67,897)	(1,389)
Balance at 30 June 2020		15,174,626	(3,085,473)	5,330,584	40,350	17,460,087
Total comprehensive income for the year						
Loss for the year		-	(615,587)	-	-	(615,587)
Other comprehensive income		-	-	2,876,680	-	2,876,680
Total comprehensive income for the year		-	(615,587)	2,876,680	-	2,261,093
Transactions with owners						
Shares issued (net of capital raising cost)		1,241,472	-	-	-	1,241,472
Capital contribution via interest-free loan		210,886	-	-	-	210,886
Share-based payment expenses		-	-	-	169	169
Share options forfeited		-	736	-	(736)	-
		1,452,358	736	-	(567)	1,452,527
Balance at 30 June 2021		16,626,984	(3,700,324)	8,207,264	39,783	21,173,707

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Unaudited

	Group June 2021 (\$)	Group June 2020 (\$)
ASSETS		
Current assets		
Cash and bank balances	1,729,757	254,991
Accounts receivable	744,238	1,519,441
Inventory	3,829,437	3,928,469
Biological work in progress	710,055	509,934
Prepayments	115,230	101,920
GST receivable	116,666	-
Total current assets	<u>7,245,383</u>	<u>6,314,755</u>
Non-current assets		
Property, plant and equipment	23,965,047	21,289,172
Deposits paid	20,000	20,000
Related party loan	51,804	59
Investments	28,365	72,250
Right-of-use assets	446,976	561,123
Intangible assets	16,676	21,883
Total non-current assets	<u>24,528,868</u>	<u>21,964,487</u>
Total assets	<u><u>31,774,251</u></u>	<u><u>28,279,242</u></u>
LIABILITIES		
Current liabilities		
Trade and other payable	1,251,500	1,166,676
Employee benefit liabilities	26,274	37,814
Contract liability	-	72,466
GST payable	-	78,932
Lease Liabilities	96,477	85,577
Interest bearing borrowings	150,000	-
Income tax payables	367	407
Total current liabilities	<u>1,524,618</u>	<u>1,441,872</u>
Non-current liabilities		
Shareholder Loan	1,353,534	1,500,000
Interest bearing borrowings	5,150,000	5,300,000
Lease Liabilities	228,253	323,923
Deferred tax	2,344,139	2,253,359
Total non-current liabilities	<u>9,075,926</u>	<u>9,377,283</u>
Total liabilities	<u><u>10,600,544</u></u>	<u><u>10,819,155</u></u>
Total net assets	<u><u>21,173,707</u></u>	<u><u>17,460,087</u></u>
EQUITY		
Capital Shares	16,626,984	15,174,626
Share-based payment reserve	39,783	40,350
Asset revaluation reserve	8,207,264	5,330,584
Retained earnings	(3,700,324)	(3,085,473)
Total equity	<u><u>21,173,707</u></u>	<u><u>17,460,087</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

Unaudited

	Note	Group Year Ended June 2021 \$	Group Year Ended June 2020 \$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		7,438,424	6,239,279
Other income		392,390	261,230
GST refund		-	119,916
Income tax refund		-	407
Interest received		178	35
		<u>7,830,992</u>	<u>6,620,867</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers and employees		(7,060,885)	(6,336,290)
Interest paid on loans and borrowings		(168,400)	(231,053)
Interest paid on lease liabilities		(18,421)	(19,388)
GST payment		(193,006)	-
		<u>(7,440,712)</u>	<u>(6,586,731)</u>
Net cash flow generated by operating activities	2	<u>390,280</u>	<u>34,136</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sales of property, plant and equipment		17,353	-
		<u>17,353</u>	<u>-</u>
<i>Cash was disbursed to:</i>			
Payments for property, plant and equipment		(69,690)	(254,916)
		<u>(69,690)</u>	<u>(254,916)</u>
Net cash flow (used in) investing activities		<u>(52,337)</u>	<u>(254,916)</u>
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Proceeds from issue of ordinary shares (net of capital raising cost)		1,241,472	-
Proceeds from shareholder loan		-	1,107,145
		<u>1,241,472</u>	<u>1,107,145</u>
<i>Cash was disbursed to:</i>			
Repayment of lease liabilities		(104,649)	(123,012)
Repayment of bank loan		-	(800,000)
		<u>(104,649)</u>	<u>(923,012)</u>
Net cash flow generated by / (used in) financing activities		<u>1,136,823</u>	<u>184,133</u>
Net (decrease) / increase in cash		1,474,766	(36,647)
Cash and cash equivalents at the beginning of the year		254,991	291,638
Cash and cash equivalents at the end of the year		<u>1,729,757</u>	<u>254,991</u>

1 Sales

	Year Ended June 2021	Year Ended June 2020
	\$	\$
Grape sales	1,710,819	2,332,719
Bulk wine sales	1,154,767	1,324,937
Branded wine sales	3,870,099	2,744,837
	<u>6,735,685</u>	<u>6,402,493</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. Adjustment, if any, will be made when 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, majority of Group's sales were generated from supplying products to customers based in New Zealand, United States and China. At reporting date, the Group held all non-current assets in Marlborough, New Zealand.

The below represents a geographical analysis of sales:

Sales	Year Ended June 2021	Year Ended June 2020
	\$	\$
New Zealand	5,369,888	5,083,719
United States	960,000	956,695
China	96,000	173,097
Others	309,797	188,982
Total	<u>6,735,685</u>	<u>6,402,493</u>

For the year ended 30 June 2021, there were 4 customers (30 June 2020: 3 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was \$5.12 million (30 June 2020: \$3.93 million). The following table shows only the amount which is greater than 10% of the Group's total sales.

	Year Ended June 2021	Year Ended June 2020
	\$	\$
Customer A	1,029,234	1,215,656
Customer B	960,000	956,695
Customer C	2,428,167	1,757,410
Customer D	702,869	-
Total	<u>5,120,270</u>	<u>3,929,760</u>

2 Notes to Cash Flow Statement

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

	Year Ended June 2021 \$	Year Ended June 2020 \$
Net profit / (loss) after tax	(615,587)	9,965
<i>Add: Non-cash items</i>		
Amortisation	5,207	7,193
Depreciation	690,548	559,941
Interest expense on shareholder loan	64,420	-
Tax expense	(212,535)	7,228
Gain on disposal of property, plant and equipment	(2,660)	-
Investment income recognised in profit or loss	(12,445)	-
Share-based payments	169	(1,389)
Other non-cash adjustment	7,179	1,801
<i>(Increase)/decrease in assets:</i>		
Decrease / (Increase) in accounts receivables	775,203	(158,909)
(Increase) / Decrease in GST receivable	(195,598)	118,391
Decrease / (Increase) in inventory	99,032	(1,027,666)
(Increase) / Decrease in Biological work in progress	(200,121)	(108,828)
Decrease / (Increase) in deposit paid	-	21,610
(Increase) / Decrease in prepayments	(13,310)	(46,205)
<i>Increase / (Decrease) in liabilities:</i>		
Increase / (Decrease) in trade payables	84,824	653,085
(Decrease) / Increase in revenue received in advance	(72,466)	(4,305)
(Decrease) / Increase in tax paid	(40)	407
(Decrease) / Increase / in accrued expenses	(11,540)	1,817
Net cash provided by operating activities	390,280	34,136

(b) Reconciliation of liabilities arising from financing activities

	June 2021		June 2020	
	Borrowings \$	Lease Liabilities \$	Borrowings \$	Lease Liabilities \$
Balance at 1 July	6,800,000	409,501	6,492,855	166,124
Lease liabilities recognised	-	19,879	-	366,389
Repayment of lease liabilities - cash flow	-	(104,649)	-	(123,012)
Proceeds from shareholder loan - cash flow	-	-	1,107,145	-
Repayment of bank loan - cash flow	-	-	(800,000)	-
Fair value adjustment for shareholder loan	(210,886)	-	-	-
Balance at 30 June	6,589,114	324,731	6,800,000	409,501