

MARLBOROUGH WINE ESTATES ANNOUNCES FY23 RESULTS

For the year ended 30 June 2023 (FY23)

Highlights:

- Increase in sales revenue, gross profit, and cashflows.
- Further year of profitability driven by continued focus on premium branded wine strategy and global distribution.
- Continued premiumisation focus delivering 69% increase in international sales of premium branded wine.
- Strong financial structure in place to support future growth, with expansion of global distribution network remaining a key priority.

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 2023 (FY23), with a further year of profitability and positive strategic progress.

The group's strategy is to focus on the growth of premium branded wine sales in all markets. During FY23, MWE's sales volumes of branded wine internationally grew by 69% while domestic sales grew by 10%. Growth has been driven by sales of MWE's premium OTU brand in the UK, USA, Canada, China and New Zealand.

CEO of Marlborough Wine Estate, Andrew Stafford, said: "We are very pleased to report another profitable year for Marlborough Wines Estates. We have continued to focus on our strategy of growing branded wine revenue across our global distribution network. Our premium OTU wine brand is central to this success and continues to gain recognition for its high quality and distinctive wine style with consumers and the wine trade.

"Our business made significant progress over the past year, despite economic challenges including the inflationary environment which has seen input costs steadily rise across the business. These economic conditions are not unique to New Zealand and the wine industry globally continues to be impacted by the macro-economic environment. Marlborough Wine Estates is well positioned for the year ahead with a strong financial platform, robust inventory levels and a clear focus on our strategic pathways. We remain positive about our future."

Market Conditions

New Zealand wine continues to be sought after globally and, in the year ended June 2023, total wine exports reached \$2.4 billion, an increase of 23% on the previous year. The long-term demand and supply balance remains favourable and this is being reflected in the strong demand for vineyard properties in Marlborough. The wine industry has also proved to be resilient during difficult economic conditions. Consumers globally view premium wine as an affordable luxury which remains important to their lifestyle despite reductions in disposable incomes.

Financial Performance

Sales revenue for the year ended 30 June 2023 grew strongly to \$9.43m, up 18% on prior year. This was driven by a 27% increase in branded wine revenue to \$5.73m which reflects the group's ongoing focus on premiumisation.

Gross profit increased by 24% from \$2.91m to \$3.63m and cashflow from operating activities improved by \$1.24m.

Net profit after tax of \$295,193 (FY22: \$328,012) was in line with guidance and reflects the ongoing cost pressures across all parts of the business.

Vintage Summary

The 2022 vintage signalled a return to expected yields in Marlborough following a very low yielding vintage in 2021. This enabled the group to continue to grow branded wine sales revenue during the year and expand global distribution across domestic and international markets.

MWE's 2023 vintage increased 1.7% on the 2022 vintage and in-line with pre-vintage expectations. The group is well positioned with inventory of high quality wine to meet customer demand in FY24.

The group continues to invest in productivity initiatives in the vineyards including improved viticultural practices, new equipment and vines. These investments will enable MWE to deliver long term sustainable productivity improvements to meet future demand.

Outlook

MWE is focused on building on the platform that has been created in recent years. The OTU brand has generated strong consumer appeal in a short period of time. Expansion of the global distribution network remains a key priority and represents a significant growth opportunity for the business. The group has a strong financial structure to support future growth and maintains a low debt position.

Growth priorities in FY24 remain focused on:

- Growth of premium branded wine
- Expansion of market share
- Expansion of MWE's international distributor network
- Identify opportunities to enhance growth through acquisition

Chairman of Marlborough Wine Estate, Min Jia, said: "We have the people, partners and business foundation to be successful in a globally challenging business environment. 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 delivering further success in FY24."

ENDS

Authority for this announcement

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

Unaudited

	Note	Group Year Ended June 2023 \$	Group Year Ended June 2022 \$
Revenue	1	9,426,455	7,955,066
Cost of sales		(5,793,153)	(5,040,383)
Gross profit		3,633,302	2,914,683
Other operating income		74,257	157,665
Selling, marketing and promotion expenses		(1,418,610)	(1,272,760)
Administration and corporate governance expenses		(1,418,119)	(1,043,618)
Profit before tax and finance cost		870,830	755,970
Finance income - financial assets at amortised cost		1,819	155
Finance costs		(436,442)	(274,792)
Net finance cost		(434,623)	(274,637)
Profit for the period before taxation		436,207	481,333
Tax expense		(141,014)	(153,321)
Profit for the period attributable to shareholders of the company		295,193	328,012
Other comprehensive income (OCI)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property, plant and equipment		1,048,971	8,860,995
Income tax on items taken directly to or transferred from OCI		(117,511)	(623,839)
Other comprehensive income for the year, net of tax		931,460	8,237,156
Total comprehensive income for the period attributable to the shareholders of the Company		1,226,653	8,565,168
Basic and diluted earnings / (loss) per share		0.001	0.001

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

Unaudited

Group	Share Capital	Capital contribution	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
Balance at 30 June 2021	16,416,098	210,886	(3,700,324)	8,207,264	39,783	21,173,707
Total comprehensive income for the year						
Profit for the year	-	-	328,012	-	-	328,012
Other comprehensive income	-	-	-	8,237,156	-	8,237,156
Total comprehensive income for the year	-	-	328,012	8,237,156	-	8,565,168
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Unaudited

	Group June 2023 \$	Group June 2022 \$
ASSETS		
Current assets		
Cash and bank balances	417,426	337,284
Accounts receivable	1,082,550	1,671,876
Inventory	6,471,214	5,076,710
Biological work in progress	484,674	923,663
Prepayments	113,899	66,013
GST receivable	48,282	101,586
Total current assets	8,618,045	8,177,132
Non-current assets		
Property, plant and equipment	34,168,220	32,502,928
Deposits paid	20,000	46,625
Related party loan	44,206	48,005
Investments	28,365	28,365
Right-of-use assets	96,698	350,313
Intangible assets	15,290	19,047
Total non-current assets	34,372,779	32,995,283
Total assets	42,990,824	41,172,415
LIABILITIES		
Current liabilities		
Trade and other payable	1,627,705	1,572,682
Employee benefit liabilities	164,011	131,747
Contract liability	120,000	-
Lease Liabilities	107,503	117,484
Interest bearing borrowings	51,938	150,000
Income tax payable	52,415	323
Total current liabilities	2,123,572	1,972,236
Non-current liabilities		
Shareholder Loan	1,363,379	1,414,614
Interest bearing borrowings	5,077,840	4,800,000
Lease Liabilities	17,890	125,393
Deferred tax	3,327,722	3,121,297
Total non-current liabilities	9,786,831	9,461,304
Total liabilities	11,910,403	11,433,540
Total net assets	31,080,421	29,738,875
EQUITY		
Share Capital	16,416,098	16,416,098
Capital contribution	325,779	210,886
Share-based payment reserve	39,783	39,783
PPE revaluation reserve	17,375,880	16,444,420
Accumulated losses	(3,077,119)	(3,372,312)
Total equity	31,080,421	29,738,875

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

Unaudited

	Note	Group Year Ended June 2023 \$	Group Year Ended June 2022 \$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		10,135,781	7,039,644
Other income		72,552	157,665
GST refund		53,304	19,226
Interest received		1,819	155
		<u>10,263,456</u>	<u>7,216,690</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers and employees		(9,293,526)	(7,639,595)
Interest paid on loans and borrowings		(340,572)	(182,064)
Interest paid on lease liabilities		(10,079)	(13,941)
Income tax paid		(8)	(44)
		<u>(9,644,185)</u>	<u>(7,835,644)</u>
Net cash flow (used in) / generated by operating activities	2	<u>619,271</u>	<u>(618,954)</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Proceeds from sales of property, plant and equipment		4,789	-
		<u>4,789</u>	<u>-</u>
<i>Cash was disbursed to:</i>			
Payments for property, plant and equipment		(416,782)	(303,034)
Payments for intangible assets		-	(6,843)
		<u>(416,782)</u>	<u>(309,877)</u>
Net cash flow (used in) investing activities		<u>(411,993)</u>	<u>(309,877)</u>
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Proceeds from borrowing		1,200,000	600,000
		<u>1,200,000</u>	<u>600,000</u>
<i>Cash was disbursed to:</i>			
Repayment of lease liabilities		(117,484)	(113,642)
Repayment of loans		(1,209,652)	(950,000)
		<u>(1,327,136)</u>	<u>(1,063,642)</u>
Net cash flow (used in) / generated by financing activities		<u>(127,136)</u>	<u>(463,642)</u>
Net cash and cash equivalents (used in) / generated by		80,142	(1,392,473)
Cash and cash equivalents at the beginning of the year		337,284	1,729,757
Cash and cash equivalents at the end of the year		417,426	337,284

1 Sales

	Year Ended June 2023	Year Ended June 2022
	\$	\$
Grape sales	1,614,054	1,299,622
Bulk wine sales	2,085,817	2,165,505
Branded wine sales	5,726,584	4,489,939
	<u>9,426,455</u>	<u>7,955,066</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, the majority of Group's sales were generated from supplying products to customers based in New Zealand, United States and UK/Europe. 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 2023	Year Ended June 2022
	\$	\$
New Zealand and Oceania	6,259,683	5,261,474
North America (USA and Canada)	1,664,426	2,124,829
UK/Europe	922,869	305,550
Australasia	579,477	263,213
Total	<u>9,426,455</u>	<u>7,955,066</u>

For the year ended 30 June 2023, there were 2 customers (30 June 2022: 2 customers) who individually accounted for greater than 10% of the Group's total sales. The sales amount to these customers in total was \$3.93 million (30 June 2022: \$4.54 million). The following table shows the sales amount to those customers.

	Year Ended June 2023	Year Ended June 2022
	\$	\$
Customer A	1,405,090	2,019,163
Customer B	2,505,724	2,525,282
Total	<u>3,910,814</u>	<u>4,544,445</u>

2 Notes to Cash Flow Statement

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

	Year Ended June 2023	Year Ended June 2022
	\$	\$
Net profit / (loss) after tax	295,193	328,012
<i>Add: Non-cash items</i>		
Amortisation	4,472	4,472
Depreciation	816,250	736,598
Interest expense on shareholder loan	63,658	61,080
Tax expense	88,914	153,321
Gain on disposal of ROU assets	(1,705)	-
Biological work in progress reclassification	(576,543)	-
Other non-cash adjustment	3,799	21,801
<i>(Increase)/decrease in assets:</i>		
(Increase) / Decrease in accounts receivables	589,326	(927,640)
Decrease in GST receivable	53,304	15,080
(Increase) / Decrease in inventory	(1,394,504)	(1,247,272)
(Increase) / Decrease in biological work in progress	438,989	(213,608)
(Increase) / Decrease in deposit paid	26,625	(26,625)
Decrease / (Increase) in prepayments	(47,886)	49,217
<i>Increase / (Decrease) in liabilities:</i>		
Increase in trade payables	55,023	347,229
Increase in employee benefit liabilities	32,264	79,425
Increase in revenue received in advance	120,000	-
(Decrease) / Increase in tax paid	52,092	(44)
Items reclassified to investing activities	(576,543)	-
Net cash provided by operating activities	619,271	(618,954)

(b) Reconciliation of liabilities arising from financing activities

	June 2023		June 2022	
	Borrowings	Lease Liabilities	Borrowings	Lease Liabilities
	\$	\$	\$	\$
Balance at 1 July	6,364,614	242,877	6,653,534	324,730
Lease liabilities recognised	-	-	-	31,789
Repayment of lease liabilities - cash flow	-	(117,484)	-	(113,642)
Proceeds from bank loan - cash flow	1,200,000	-	600,000	-
Repayment of bank loan - cash flow	(1,209,652)	-	(950,000)	-
Proceed from asset loan- non cash	189,430	-	-	-
Fair value adjustment for shareholder loan	(114,893)	-	-	-
Non-cash interest	63,658	-	61,080	-
Balance at 30 June	6,493,157	125,393	6,364,614	242,877