

## MARLBOROUGH WINE ESTATES ANNOUNCES FY22 RESULTS

### For the year ended 30 June 2022 (FY22)

- Further solid progress implementing the branded wine growth strategy providing increased revenue, margins and a return to improved profitability despite considerable disruptions in key markets and supply chains.
- International distribution expansion, particularly into the US and UK markets with exclusive distribution partners.
- Continued premiumisation focus, with 11% uplift in case price realisation, and 10% growth in branded wine sales volume driven by premium branded wines.
- MWE's growth plans are underpinned by a strong financial structure, along with the people, partners and business foundation to continue to be successful in a challenging business environment.

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 2022 (FY22), with a return to improved profitability and a significant expansion for its premium branded wines through international market distributors despite considerable disruption in all key markets.

During FY22, the company signed new distribution agreements with distribution partners in the US, UK and Ireland, and continued to work with our existing distribution partners to develop Australasian and North American markets. MWE's premium branded wines are now available through a wide range of premium outlets in those markets.

As widely reported in the media, there have been significant supply chain disruptions and cost increases, MWE is pleased with the progress of the distribution and premiumisation of its branded wines despite these conditions.

In the domestic market, MWE made significant progress in the expansion of distribution of its premium branded wines, recently securing expanded premium branded wine distribution with Countdown.

2022 harvested volumes were up approx. 12% on expectation (on a comparable basis +35% on the 2021 harvest) despite the COVID-19 pandemic restrictions which impacted the Marlborough region during the growing and harvest season. Sales of bulk grapes and some bulk wine from the 2022 harvest have been recorded in second half of FY22, with premium branded wine sales occurring in FY23.

CEO of Marlborough Wine Estate, Catherine Ma, said: "Although we faced many disruptions, our team maintained a focus on delivering the highest possible service levels to our customers, which has resulted in MWE advancing our premium branded wine growth strategy. Despite the reduced supply from the 2021 vintage, we expanded into New Zealand's most important international wine

markets, the US and UK. Our team has navigated through the uncertainty and disruptions of the pandemic and delivered improved profitability.”

MWE reported revenue of \$7.96m, up 18% on the prior year. The branded wine sales volume increased by 10% from 38,000 to 42,000 cases and improved margins by continued focus on a premiumisation programme, with MWE delivering a 16% increase in branded wine revenue to \$4.49m. Gross profit increase from \$1.28m to \$2.91m, representing a 127% YOY growth.

MWE converted some grape sales to the higher margin bulk wine sales for vintage 2022. Bulk wine sales revenue increased from \$1.15m to \$2.17m, while the grape sales decreased from \$1.71m to \$1.30m.

MWE reported an improved net profit after tax of \$328,012 for the year, reflecting the expansion of MWE’s international markets, premiumisation of MWE’s products and improved efficiency of MWE’s operations.

## **Outlook**

MWE has focussed growth plans for the next financial year include these initiatives:

- Further premiumisation of MWE’s branded wines;
- Expansion of MWE’s market share by working closely with its distribution partners in all markets
- Expansion of the international distributor network
- MWE will continue to look for opportunities to grow by acquisition, expanding its supply and distribution channels.

MWE is in a strong financial structure with a low debt position and believes it has the people, partners and business foundation to continue to be successful in a challenging business environment.

## Accolades and Reviews

MWE has received a large number of accolades and top reviews during the FY22:

- OTU Marlborough Sauvignon Blanc 2021:
  - New Zealand: NZ International Wine show, Gold
  - Asia: SAKURA" Japan Women's Wine Awards 2022, Diamond Trophy, Double Gold
  - USA: James Suckling, 91 points
  - Australia: Winestate Magazine 5 stars, 98 Points
- OTU Marlborough Pinot Rose, 2021
  - New Zealand: NZ International Wine show, Gold
- OTU Limited Release Sauvignon Blanc 2021
  - New Zealand: Bob Campbell, 95 points, Gold
  - USA: Wine Spectator, 92 Points,
- OTU Limited Release Chardonnay 2021
  - New Zealand: Bob Campbell, 95 points, Gold

ENDS

### Authority for this announcement

Name of senior manager or director authorised to make this announcement: Catherine Ma

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

Unaudited

	Note	Group Year Ended June 2022 \$	Group Year Ended June 2021 \$
Revenue	1	7,955,066	6,735,685
Cost of sales		(5,040,383)	(5,450,011)
<b>Gross profit</b>		2,914,683	1,285,674
Other operating income		157,665	404,835
Selling, marketing and promotion expenses		(1,272,760)	(1,319,927)
Administration and corporate governance expenses		(1,043,618)	(925,697)
<b>Profit / (loss) before tax and finance cost</b>		755,970	(555,115)
Finance income - financial assets at amortised cost		155	178
Finance costs		(274,792)	(273,185)
<b>Net finance cost</b>		(274,637)	(273,007)
<b>Profit / (loss) for the period before taxation</b>		481,333	(828,122)
Tax (expense) / benefit		(153,321)	212,535
<b>Profit / (loss) for the period attributable to shareholders of the company</b>		328,012	(615,587)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property, plant and equipment		8,860,995	3,179,993
Income tax on items taken directly to or transferred from equity		(623,839)	(303,313)
<b>Other comprehensive income for the year, net of tax</b>		8,237,156	2,876,680
<b>Total comprehensive (loss) for the period attributable to the shareholders of the Company</b>		8,565,168	2,261,093
<b>Basic and diluted earnings / (loss) per share</b>		0.001	(0.002)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

Unaudited

Group	Share Capital	Share Capital	Accumulated losses	PPE revaluation reserve	Share-based payment reserve	Total
<b>Balance at 30 June 2020</b>	15,174,626	-	(3,085,473)	5,330,584	40,350	17,460,087
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	(615,587)	-	-	(615,587)
Other comprehensive income	-	-	-	2,876,680	-	2,876,680
<b>Total comprehensive income for the year</b>	-	-	(615,587)	2,876,680	-	2,261,093
<b>Transactions with owners</b>						
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)	-
	1,241,472	210,886	736	-	(567)	1,452,527
<b>Balance at 30 June 2021</b>	16,416,098	210,886	(3,700,324)	8,207,264	39,783	21,173,707
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	328,012	-	-	328,012
Other comprehensive income	-	-	-	8,237,156	-	8,237,156
<b>Total comprehensive income for the year</b>	-	-	328,012	8,237,156	-	8,565,168
<b>Balance at 30 June 2022</b>	16,416,098	210,886	(3,372,312)	16,444,420	39,783	29,738,875

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Unaudited

	Group June 2022 \$	Group June 2021 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	337,284	1,729,757
Accounts receivable	1,671,876	744,238
Inventory	5,076,710	3,829,437
Biological work in progress	923,663	710,055
Prepayments	66,013	115,230
GST receivable	101,586	116,666
<b>Total current assets</b>	<b>8,177,132</b>	<b>7,245,383</b>
<b>Non-current assets</b>		
Property, plant and equipment	32,502,928	23,965,047
Deposits paid	46,625	20,000
Related party loan	48,005	51,804
Investments	28,365	28,365
Right-of-use assets	350,313	446,976
Intangible assets	19,047	16,676
<b>Total non-current assets</b>	<b>32,995,283</b>	<b>24,528,868</b>
<b>Total assets</b>	<b>41,172,415</b>	<b>31,774,251</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payable	1,572,682	1,251,500
Employee benefit liabilities	131,747	26,274
Lease Liabilities	117,484	96,477
Interest bearing borrowings	150,000	150,000
Income tax payables	323	367
<b>Total current liabilities</b>	<b>1,972,236</b>	<b>1,524,618</b>
<b>Non-current liabilities</b>		
Shareholder Loan	1,414,614	1,353,534
Interest bearing borrowings	4,800,000	5,150,000
Lease Liabilities	125,393	228,253
Deferred tax	3,121,297	2,344,139
<b>Total non-current liabilities</b>	<b>9,461,304</b>	<b>9,075,926</b>
<b>Total liabilities</b>	<b>11,433,540</b>	<b>10,600,544</b>
<b>Total net assets</b>	<b>29,738,875</b>	<b>21,173,707</b>
<b>EQUITY</b>		
Share Capital	16,416,098	16,416,098
Capital contribution	210,886	210,886
Share-based payment reserve	39,783	39,783
PPE revaluation reserve	16,444,420	8,207,264
Accumulated losses	(3,372,312)	(3,700,324)
<b>Total equity</b>	<b>29,738,875</b>	<b>21,173,707</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

Unaudited

	Note	Group Year Ended June 2022 \$	Group Year Ended June 2021 \$
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers		7,027,426	7,438,424
Other income		157,665	392,390
GST refund		19,226	-
Interest received		155	178
		<u>7,204,472</u>	<u>7,830,992</u>
<i>Cash was disbursed to:</i>			
Payment to suppliers and employees		(7,639,595)	(7,060,885)
Interest paid on loans and borrowings		(182,064)	(168,400)
Interest paid on lease liabilities		(13,941)	(18,421)
Income tax paid		(44)	-
GST payment		-	(193,006)
		<u>(7,835,644)</u>	<u>(7,440,712)</u>
<b>Net cash flow (used in) / generated by operating activities</b>	2	<u>(631,172)</u>	<u>390,280</u>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from:</i>			
Proceeds from sales of property, plant and equipment		11,216	17,353
		<u>11,216</u>	<u>17,353</u>
<i>Cash was disbursed to:</i>			
Payments for property, plant and equipment		(302,032)	(69,690)
Payments for intangible assets		(6,843)	-
		<u>(308,875)</u>	<u>(69,690)</u>
<b>Net cash flow (used in) investing activities</b>		<u>(297,659)</u>	<u>(52,337)</u>
<b>Cash flows from financing activities</b>			
<i>Cash was provided from:</i>			
Proceeds from borrowing		600,000	-
Proceeds from issue of ordinary shares (net of capital raising cost)		-	1,241,472
		<u>600,000</u>	<u>1,241,472</u>
<i>Cash was disbursed to:</i>			
Repayment of lease liabilities		(113,642)	(104,649)
Repayment of bank loan		(950,000)	-
		<u>(1,063,642)</u>	<u>(104,649)</u>
<b>Net cash flow (used in) / generated by financing activities</b>		<u>(463,642)</u>	<u>1,136,823</u>
<b>Net cash and cash equivalents (used in) / generated by</b>		<b>(1,392,473)</b>	<b>1,474,766</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,729,757</b>	<b>254,991</b>
<b>Cash and cash equivalents at the end of the year</b>		<b><u>337,284</u></b>	<b><u>1,729,757</u></b>

## 1 Sales

	<b>Year Ended June 2022</b>	<b>Year Ended June 2021</b>
	<b>\$</b>	<b>\$</b>
Grape sales	1,299,622	1,710,819
Bulk wine sales	2,165,505	1,154,767
Branded wine sales	4,489,939	3,870,099
	<u>7,955,066</u>	<u>6,735,685</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:

<b>Sales</b>	<b>Year Ended June 2022</b>	<b>Year Ended June 2021</b>
	<b>\$</b>	<b>\$</b>
New Zealand and Oceania	5,261,474	5,377,955
United States	2,019,163	960,000
UK/Europe	305,550	95,490
Australasia	263,213	241,950
Others	105,666	60,290
Total	<u>7,955,066</u>	<u>6,735,685</u>

For the year ended 30 June 2022, there were 2 customers (30 June 2021: 4 customers) who individually accounted for greater than 10% of the Group's total sales. Customer C and D, in the list below, accounted less than 10% of total revenue for FY22, are no longer considered as a significant customer. The sales amount to these customers in total was \$5.08 million (30 June 2021: \$5.08 million). The following table shows the sales amount to those customers.

	<b>Year Ended June 2022</b>	<b>Year Ended June 2021</b>
	<b>\$</b>	<b>\$</b>
Customer A	2,019,163	960,000
Customer B	2,525,282	2,425,300
Customer C	9,915	987,961
Customer D	525,827	701,903
Total	<u>5,080,187</u>	<u>5,075,164</u>



**2 Notes to Cash Flow Statement**

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

	<b>Year Ended June 2022</b>	<b>Year Ended June 2021</b>
	<b>\$</b>	<b>\$</b>
Net profit / (loss) after tax	328,012	(615,587)
<i>Add: Non-cash items</i>		
Amortisation	4,472	5,207
Depreciation	736,598	690,548
Interest expense on shareholder loan	61,080	64,420
Tax expense	153,321	(212,535)
Gain on disposal of property, plant and equipment	1,639	(2,660)
Investment income recognised in profit or loss	-	(12,445)
Share-based payments	-	169
Other non-cash adjustment	7,945	7,179
<i>(Increase)/decrease in assets:</i>		
(Increase) / Decrease in accounts receivables	(927,640)	775,203
Decrease / (Increase) in GST receivable	15,080	(195,598)
(Increase) / Decrease in inventory	(1,247,273)	99,032
(Increase) / Decrease in biological work in progress	(213,608)	(200,121)
(Increase) / Decrease in deposit paid	(26,625)	-
Decrease / (Increase) in prepayments	49,217	(13,310)
<i>Increase / (Decrease) in liabilities:</i>		
Increase / (Decrease) in trade payables	347,229	84,824
Increase / (Decrease) in employee benefit liabilities	79,425	(72,466)
(Decrease) / Increase in revenue received in advance	-	(40)
(Decrease) / Increase in tax paid	(44)	(11,540)
<b>Net cash provided by operating activities</b>	<b>(631,172)</b>	<b>390,280</b>

**(b) Reconciliation of liabilities arising from financing activities**

	<b>June 2022</b>		<b>June 2021</b>	
	<b>Borrowings</b>	<b>Lease Liabilities</b>	<b>Borrowings</b>	<b>Lease Liabilities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July</b>	6,653,534	324,730	6,800,000	409,501
Lease liabilities recognised	-	31,789	-	19,879
Repayment of lease liabilities - cash flow	-	(113,642)	-	(104,650)
Proceeds from bank loan - cash flow	600,000	-	-	-
Repayment of bank loan - cash flow	(950,000)	-	-	-
Fair value adjustment for shareholder loan	-	-	(210,886)	-
Non-cash interest	61,080	-	64,420	-
<b>Balance at 30 June</b>	<b>6,364,614</b>	<b>242,877</b>	<b>6,653,534</b>	<b>324,730</b>