



LARK DISTILLING CO. LTD

HY24 INVESTOR BRIEFING

22 FEBRUARY 2024



LARK WILL BE A
LEADER IN NEW
WORLD WHISKY.



LARK WILL LEAD TASMANIAN WHISKY...

LARK is best positioned to lead the rise:

LARK IS PROUDLY
AUSTRALIA'S
NO. 1 LUXURY
SINGLE MALT



UNPARALLELED
STORY,
CLIMATE AND
PROVENANCE

30 YEARS OF
HISTORY AS
TASMANIA'S 1ST
AND OLDEST
SINGLE MALT

ABILITY TO
SCALE NOW,
AND INTO THE
FUTURE

FREEDOM TO
INNOVATE
AND PUSH
BOUNDARIES

ACCESS TO
SOME OF THE
BEST CASKS IN
AUSTRALIA

CATEGORY
LEADER IN A
BURGEONING
INDUSTRY

GREAT
TEAM OF
EXPERIENCED
EXECUTIVES

SOLE RIGHTS
TO CENTRAL
HIGHLANDS
TASMANIAN
PEAT BOG

HY24 HIGHLIGHTS AND STRATEGIC PRIORITIES

Sash Sharma - CEO



HY24 | Key Highlights



Net sales of \$7.4 million¹

(down \$2.2m on HY23)

Impact of older limited releases in pcp with focus on scaleable core range delivering underlying growth



Operating EBITDA of (\$0.4) million

Statutory EBITDA of (\$1.1) million

Gross margin of 66.0%

(-220bps on HY23 of 68.2%)



Whisky bank of 2.4 million litres* underwriting future sales growth

*(at 43% ABV) as at 31 December 2023 (FY23: 2.4 million litres)



Operating Cashflow

Disciplined cost control delivers +\$2.2m improvement vs HY23 in net cash used in operating activities

Operating cashflow +\$1m stronger in HY24, allowing for \$1.2m one off outflows in HY23



Balance sheet flexibility

Cash position of \$5.5 million + undrawn committed bank facility of \$15 million now extended to January 2028; full facility available to be drawn



Good progress of Asia export business & GTR

LARK is well positioned for export growth and growing GTR channel - underpinned by high quality whisky bank

STRATEGIC PRIORITIES

BUILD LONG TERM BRAND VALUE

LARK will build a globally recognised and differentiated luxury brand



INTERNATIONAL SALES MOMENTUM & DOMESTIC LEADERSHIP POSITION

Creation of repeatable and diversified (geography and channel) revenue streams

CASH & CAPITAL DISCIPLINE

LARK will prioritise cash generation to underpin growth while exercising capital discipline

PROGRESS BEING MADE IN EXECUTING STRATEGY



BUILD LONG TERM BRAND VALUE

- Continued awards recognition
- Peter Gilmore partnership commenced; and
- 'Rare & Remarkable' products introduced to drive halo and brand equity

INTERNATIONAL SALES MOMENTUM & DOMESTIC LEADERSHIP POSITION

- Export strategy via in-market distributors being executed, with shipments now commenced
- Continued growth in Travel Retail through customer collaboration
- Outperformance of core Signature range in Domestic Australia, with H2 Net Sales +13% vs. pcp

CASH & CAPITAL DISCIPLINE

- Cost of new hires into future growth areas, and inflationary pressures offset by savings elsewhere
- Operating Cashflow savings of \$2.2m vs. pcp
- NAB facility now extended to January 2028

BUILD LONG TERM BRAND VALUE



LARK FUTURE BRAND PROPOSITIONS



TASMANIAN
SINGLE MALT WHISKY



HOUSE OF LARK
TASMANIAN WHISKIES

FORTY SPOTTED
TASMANIAN GIN



LARK's reputation continues to grow with gold medals and category wins across the leading international & domestic awards programs, cementing its position as Australia's No.1 Luxury Single Malt Whisky.



China Wine & Spirits Awards

LARK Rebellion Chinotto Citrus Cask Single Malt Whisky

GOLD MEDAL

LARK Tasmanian Lightly Peated Single Malt Whisky

GOLD MEDAL



World Whiskies Awards

LARK Symphony No.1 Blended Malt Whisky

AUSTRALIA'S BEST / CATEGORY WINNER

LARK Garage Project XPA Single Malt Whisky

AUSTRALIA'S BEST / CATEGORY WINNER



Global Spirits Masters

LARK Classic Cask Single Malt Whisky

GOLD MEDAL

LARK Rebellion Citrus Chinotto Cask Single Malt Whisky

GOLD MEDAL

LARK Tasmanian Lightly Peated Single Malt Whisky

GOLD MEDAL

Meaningful brand partnerships to grow LARK's awareness and reinforce credibility with trade and consumers via trusted names.



LARK

Jo Joze
PETER GILMORE

**TWO ICONS
ONE SINGLE
OBSESSION**

LARK

Two sides collaborate for a single obsession. Two Australian icons come together on the journey to create a New World of Whisky. Welcoming Executive Chef, Peter Gilmore as the official Brand Ambassador for LARK, sharing the same commitment to creativity, craftsmanship, and consistent evolution to create unexpected moments.



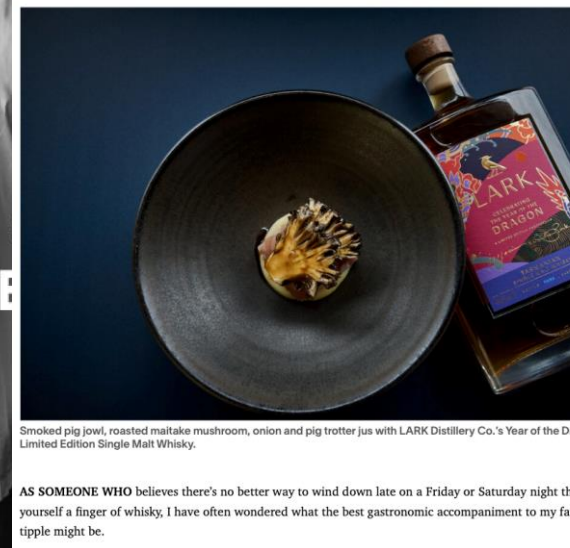
Esquire STYLE CULTURE FOOD & DRINK SPORT LIFESTYLE

Food & Drink > Drinks

A pair of aces: Quay's Peter Gilmore and LARK Distilling Co. make for a mouthwatering combination

When an Australian gastronomic icon teams up with the country's premier single malt whisky, you know your tastebuds are in for a treat.

By Ben Shady **KURUMEDS/HEFA/NOVA**




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THE SHOUT

LIQUOR NEWS Hotelier BARS AND CLUBS SHOUT

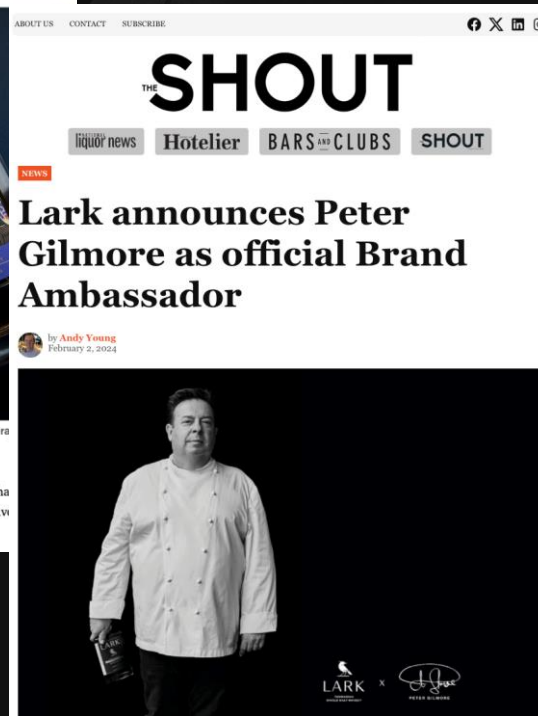
Lark announces Peter Gilmore as official Brand Ambassador

by Andy Young
February 2, 2024



Smoked pig jowl, roasted maitake mushroom, onion and pig trotter jus with LARK Distillery Co.'s Year of the Dragon Limited Edition Single Malt Whisky.

AS SOMEONE WHO believes there's no better way to wind down late on a Friday or Saturday night than yourself a finger of whisky, I have often wondered what the best gastronomic accompaniment to my fav tippie might be.




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Lark announces Peter Gilmore as official Brand Ambassador

by Andy Young
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LARK x *Jo Joze*
PETER GILMORE



Creating brand halo effect entering the prestige market with ultra rare, remarkable, and collectable Single Malt.

FINANCIAL REVIEW

Street Talk Politics Policy World Property Technology Opinion Wealth

Seven whisky gift ideas, from the sublime to the ridiculously so

Our expert columnist has had the good fortune to sample these divine drinks, ranging from \$120 to \$58,000 for a set. Which will you choose?



To produce their most expensive whisky ever, the team at Lark put together 13-year-old ex-bourbon cask single malt and sherry-cask-matured malt, and finished the blend in the small barrel that once held the last of the 1911 vintage Para tawny "port" from Seppeltsfield in the Barossa. It is a one-off (that barrel will never contribute the same characters to future whiskies potentially matured in it) and an extraordinary drink: a flood of tawny "port" notes – raisin syrup, toasted walnuts, dark espresso – lead on to super-complex flavours of oily timber and rich malt and a roasted-gate, five-spice and anise-scented finish. Only 135 bottles filled. \$5250. larkdistillery.com

MANOFMANY

Whisky Guide | Scotch | Bourbon | Irish Whiskey | Japanese Whisky | Whisky G

Home > Lifestyle > Drinks



Drinks

Lark Distillery Releases its Most Expensive Single Malt to Date

By [Jacob Osborn](#) - News

Published: 26 Dec 2023

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One of our favourite names in Tasmanian whisky, Lark has just introduced its most expensive drop to date. It finishes signature juice in a single cask that once held 1911 Para Vintage Tawny to deliver an epic tasting journey for potential sippers. How expensive is it, Man of Many? Some readers out there might be asking. The answer is a whopping **AUD\$5,250** per bottle with only 135 bottles available worldwide. Pretty freaking expensive, in other words, but also worth every cent if Lark's previous achievements are anything to go by. And what's it called? Lark Tasmanian Single Malt Whisky finished in 1911 Para Vintage Tawny Cask, naturally.



LARK 1911 Para Vintage Tawny Cask Single Malt Whisky, \$5,250.00 AUD

INTERNATIONAL
SALES
MOMENTUM &
DOMESTIC
LEADERSHIP
POSITION



ASIA EXPORT BUSINESS

- Growing LARK in international markets with key distributor partners is a strategic priority
- Good progress made in 1H24 in growing our new sustainable Direct Export Business via in-market distributors
- Distribution Agreements now in place for:
 - Singapore – Velocity Wines & Spirits
 - Indonesia – Pelita Makmur Perkasa (PMP)
- MOUs in place for:
 - Malaysia – Luen Heng
 - Philippines – Booze On-line
- Direct export shipments confirmed for Q3 to Indonesia and Singapore
- Direct export sales expected to offset at least half of expected decline in legacy Chinese Indirect Export sales of \$1.7m in H2.



GLOBAL TRAVEL RETAIL (GTR)

- GTR provides a unique opportunity to engage with our target audience and drive brand discovery & awareness
- As Australia's Number 1 Luxury Single Malt Whisky – the GTR channel is important in the seeding of LARK to international consumers – as they discover and dwell as part of their travel ritual
- LARK GTR presence continues to grow at key Australian Airports
- Team active in planning activations in GTR and building 'win win' joint business plans with key retailers
- Off-Shelf visibility & activations supported by Brand Ambassadors
- 1911 Para Vintage Tawny Cask launched in Sydney Airport as part of *The Rare and Remarkable Collection* to halo core range.
- Net Sales in HY24 up \$0.5m vs pcp



DOMESTIC LEADERSHIP POSITION

- Despite ongoing challenging trading conditions, Core Lark Signature range continues to perform well in domestic channels with Net Sales growth of 13% vs. pcp supported by additional ranging of Lark Tasmanian Peated & Lark Rebellion
- LARK Personalisation activated with the '*Distinctly Yours*' campaign, continuing to innovate in ecommerce and strengthen our gifting offering
- Wholesale channel in particular saw impact of cycling limited release sales in FY23
- Hospitality Venues impacted by lower Tasmanian tourist numbers this half compared to pcp
- Recent collaboration with world renowned Baxters Inn, as part of our ongoing Bar Series significantly oversubscribed



CASH & CAPITAL DISCIPLINE



DEBT FACILITY AND CAPITAL FLEXIBILITY

NAB FACILITY

\$15M UNDRAWN
COMMITTED FACILITY
AVAILABLE

TERM NOW EXTENDED
TO JANUARY 2028

CAPITAL FLEXIBILITY

DISTILLING CONSOLIDATED
AT CAMBRIDGE WITH
FLEXIBILITY ON
PRODUCTION

OPTIONALITY OVER
BOTHWELL SITE

OPERATING CASHFLOWS

- Disciplined cost control drives a \$2.2m reduction in net cash used in operating activities;
- Whisky continues to be laid down for maturation
- Entry in new markets will see requirement for brand investment to launch and drive growth
- NAB \$15m committed debt facility maturity date extended to January 2028
- Committed to continuing to improve Operating Cashflow, with breakeven expected from FY26-FY27 period

BOTHWELL DISTILLERY – To explore potential to divest in the short to medium term



Distilling Capacity:
150k L@43% ABV
(83.8k LAL) p.a.



Liquid use:
Blended Malt,
Offerings under
'The House of LARK'



1x Grain Silo



5x 3000L SS Fermenters



Mash Tun



1800L Wash Still
600L Spirit Still



Grain Mill



Historic homestead,
stables, and barns



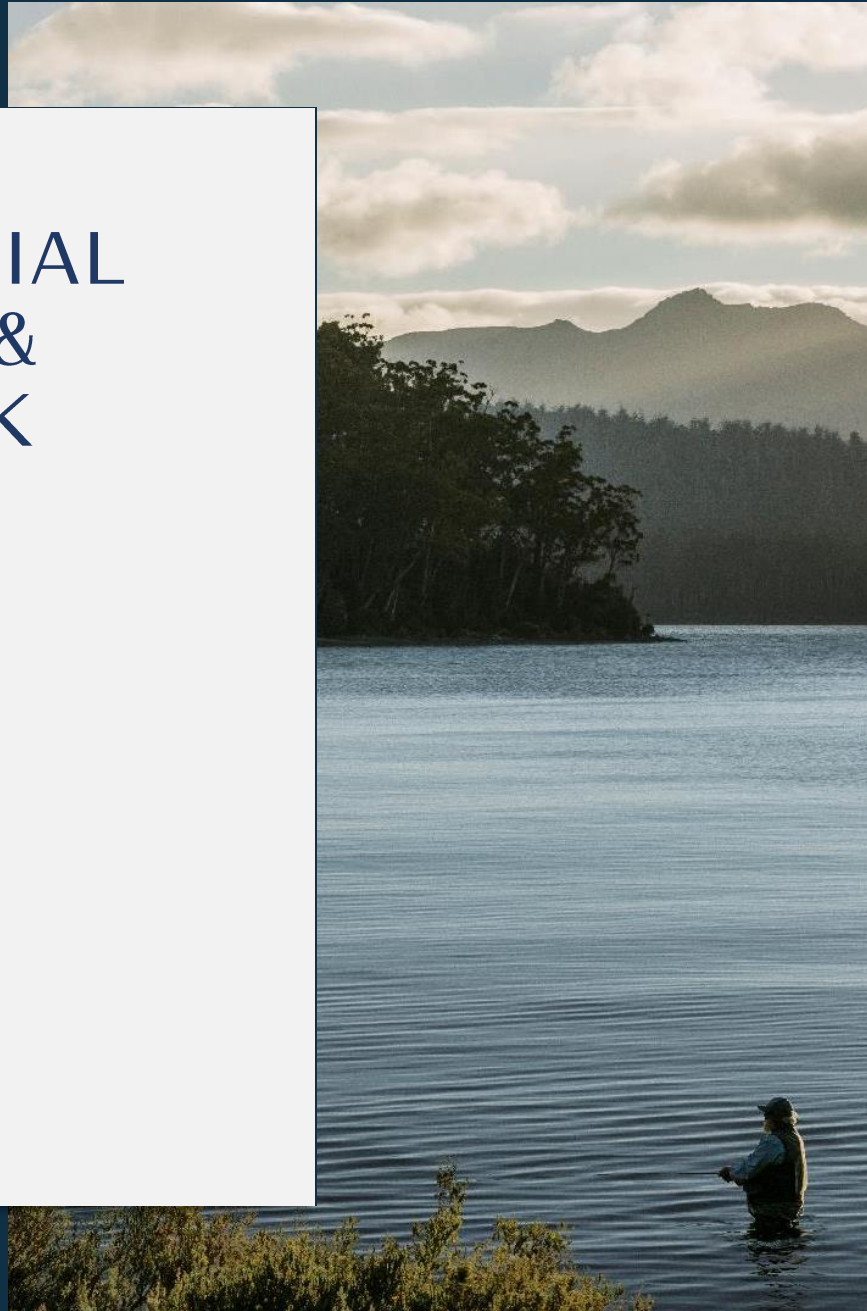
Hospitality infrastructure
at site



Central Highlands
81km from Hobart
76 Hectares land area

HY24 FINANCIAL HIGHLIGHTS & WHISKY BANK

Iain Short - CFO



Profit & Loss

A\$'000	H1 FY24	H1 FY23	Var \$	Var %
Net Sales *	7,386	9,624	(2,238)	-23.3%
Cost of sales	(2,510)	(3,058)	548	-17.9%
Gross Profit	4,876	6,566	(1,690)	-25.7%
Gross Profit %	66.0%	68.2%	-2.2%	-3.2%
Other Income	830	370	460	124.3%
Selling and distribution	(1,015)	(1,774)	760	-42.8%
Operating Costs	(5,103)	(5,152)	49	-0.9%
<i>Administration expenses</i>	(1,801)	(2,413)	612	-25.4%
<i>Employee benefit expense</i>	(3,302)	(2,739)	(564)	20.6%
Operating EBITDA	(412)	10	(422)	n/m
Share based payments	(678)	(405)	(273)	67.3%
One-off Costs	0	(865)	865	n/m
<i>Costs relating to acquisition</i>	0	(275)	275	n/m
<i>Obsolete Stock expense</i>	0	(276)	276	n/m
<i>Other one offs</i>	0	(314)	314	n/m
Statutory EBITDA	(1,090)	(1,260)	171	-13.5%

* Net Sales = sales after excise.

Profit & Loss Highlights

- Reported Net Sales of \$7.4 million were down \$2.2m or -23% vs pcip
- As updated at the start of the year, we expected to see the impact of not cycling limiteds release sales of c.\$2m.
- H1 performance has been impacted by a slowdown in the legacy Chinese Indirect channel impacting exports (-\$1m). These impacts have been partially offset by positive performance elsewhere, most notably GTR and the Signature range in Domestic channels.
- Gross profit margins remained strong at 66.0%, down from 68.2% in HY23. Decline in the half due to lower Net Sales per Litre to \$257 through channel mix with lower contribution from hospitality venues, and product mix with lower proportion of limited release sales.
- Marketing investment (Selling & Distribution expense) will be weighted to 2H24, supporting new market launches for sustainable direct export expansion and brand architecture development
- Switch in cost from administration to employee benefit expense, with roles being filled by employees rather than consultants.
- While lower production volumes drive significant cash savings, additional P&L cost (c.\$0.1m) with less costs capitalized into inventory. Fully offset, along with inflationary pressure and new hires in future growth areas by cost control measures including the benefits of the restructure implemented in June 2023.
- H1 Operating EBITDA was a loss of \$0.4m, down \$0.4m vs. HY23.

Balance Sheet & Cashflow Highlights

Balance Sheet

A\$'000	31/12/2023	30/06/2023	vs LY \$
Cash and cash equivalents	5,525	7,160	(1,635)
Trade and other receivables	1,778	1,995	(217)
Inventories	18,417	15,993	2,424
Prepaid assets	223	117	106
Total current assets	25,942	25,265	677
Inventories	44,346	45,917	(1,570)
Property, plant and equipment	15,006	15,201	(195)
Right-of-use assets	1,507	4,522	(3,015)
Intangibles	21,313	21,239	75
Deferred tax	4,111	3,994	117
Total non-current assets	86,284	90,873	(4,589)
Total assets	112,226	116,138	(3,912)
Trade and other payables	(2,648)	(2,677)	28
Financial liabilities	(201)	(370)	169
Employee benefits	(521)	(463)	(57)
Deferred government grants	(3,675)	(3,675)	0
Total current liabilities	(7,045)	(7,185)	140
Borrowings	0	0	0
Financial liabilities	(1,364)	(4,216)	2,852
Employee benefits	(76)	(60)	(17)
Total non-current liabilities	(1,440)	(4,276)	2,836
Total liabilities	(8,485)	(11,461)	2,976
Net assets	103,741	104,677	(935)

- LARK ended HY24 with a cash balance of \$5.5 million with a further \$15 million undrawn committed bank facility; full facility available to be drawn and now extended to Jan 2028
- Net operating cashflows were \$1.1m for the first half, reflecting a \$2.2m improvement vs pcp driven by a reduction in product manufacturing and operating costs:
 - Lower receipts from customers (-\$3.2m vs HY23) due to limited release and indirect export sales, more than offset by
 - One-off staff, administration and corporate costs in HY23 comparatives (+\$1.2m), and
 - Savings in other operating cashflow (+\$4.2m vs. HY23) through renewed focus on cost control and exercising capital discipline on distilling production levels.
- Total inventory at cost of \$62.8m, modestly up since 30th June, +\$0.9m or 1.5%, reflecting:
 - The decision to centralise production at Cambridge; and
 - To more closely align distilling production levels with current demand
- Reduction in Right of Use Assets and Financial Liabilities reflects cancellation of a Bond Store Lease, subsequently replaced by new lease in January 2024

Cash Flow*

A\$'000	H1 FY24	H1 FY23	vs LY \$
Operating cash flows	(1,104)	(3,324)	2,219
Investing cash flows	(405)	1,379	(1,784)
Financing cash flows	(125)	(5,076)	4,951
Net Cash flows	(1,635)	(7,020)	5,386

*Comparatives for the classification of \$1.98m government Grant receipts relating to the Modern Manufacturing Grant have been updated to investing activities (from operating activities) to align with the classification used in the 2023 Annual Report.



High Quality Whisky Bank – Underwriting Future Sales Growth

- LARK's whisky under maturation remained at 2.4 million litres at 43% ABV at 31 December 2023 (FY23: 2.4m litres), supporting long term growth plans
- Continued Whisky Bank alignment to long-term future portfolio requirements
- Increasing in average age of inventory under maturation allowing:
 - Stock availability for future export growth, and
 - Flexibility to consider age statement releases in time
- Existing Whisky Bank allows us to optimise production in the short to medium term, whilst we exercise cash & capital discipline, balancing our working capital requirements
- Cambridge Distillery as sole distilling facility from May 2023, providing liquid continuity for core Signature range
- Cambridge currently distilling production at c.100k litres at 43% ABV with existing production capacity capable of up to 300k litres

STRATEGIC PRIORITIES & GROWTH PLAN

Sash Sharma - CEO



STRATEGIC PRIORITIES

BUILD LONG TERM BRAND VALUE

LARK will build a globally recognised and differentiated luxury brand



INTERNATIONAL SALES MOMENTUM & DOMESTIC LEADERSHIP POSITION

Creation of repeatable and diversified (geography and channel) revenue streams

CASH & CAPITAL DISCIPLINE

LARK will prioritise cash generation to underpin growth while exercising capital discipline

OUR GROWTH PLAN

PHASE 1: ESTABLISH BEACHHEADS (FY24 – FY27)

- BUILD BRAND EQUITY FOUNDATIONS IN KEY MARKETS
- ENTER IDENTIFIED INTERNATIONAL MARKETS
- CASH & CAPITAL DISCIPLINE

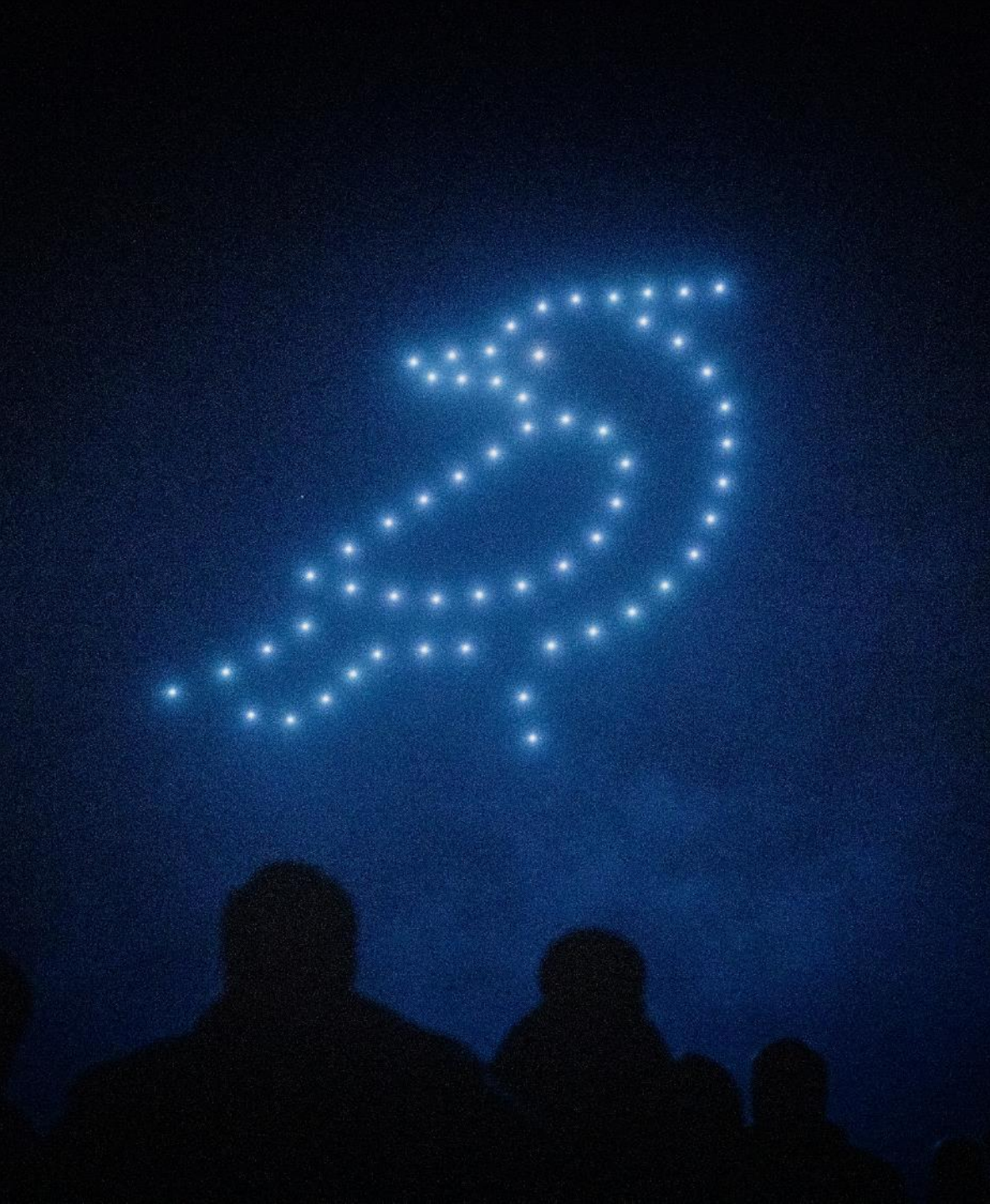
PHASE 2: EMBED FOUNDATIONS (FY26 – FY32)

- EXPAND CONSUMER RECRUITMENT
- INCREASE INTERNATIONAL FOOTPRINT
- CASH & CAPITAL DISCIPLINE

PHASE 3: ACCELERATE (FY30+)

- EXPLODE BRAND VALUE
- BUILD MASS REACH
- CASH & CAPITAL DISCIPLINE

Perspectives for FY24



PERSPECTIVES FOR FY24

Build Long Term Brand Value

- Focus on spine core range with clear purpose for limited releases
- Increased investment in A&P to support the launch of Asia export business and build brand equity
- Planning underway for LARK Single Malt Restage from FY25

International Sales Momentum & Domestic Leadership Position

- Trading conditions remain challenging – consumers remain cautious
- Direct shipments commence from Q3FY24 in Indonesia and Singapore
- Convert MOUs to Distribution Agreements for Malaysia and Philippines
- Direct export to offset more than half the expected shortfall of legacy Chinese Indirect Export Channel (\$1.7m in H2)
- Impact to Net Sales per Litre as Export sales accelerate in 2H24, and beyond
- Limited Releases now fully cycled from 2H24

Cash & Capital Discipline

- NAB \$15m Committed Debt Facility extended to January 2028
- Explore potential to divest Bothwell Distillery
- Committed to improving operating cashflows - positive Operating Cashflows by FY26-FY27 period



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LARK

MADE OF TASMANIA

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