

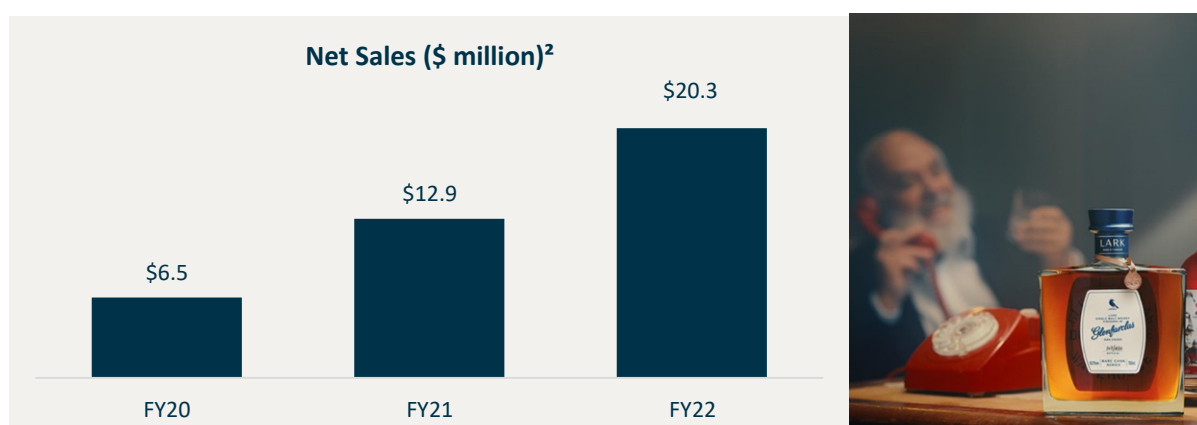
Lark Distilling Co. FY 2022 Results

Lark Distilling Co. Ltd (ASX: LRK) (“Lark” or the “Company”) is pleased to provide an update on the Company’s operations for the full year ending 30 June 2022.

Investor webinar to be held at 2.00pm AEST on Monday, 29 August 2022. [Click here to register](#)

FY22 HIGHLIGHTS¹:

- Lark delivered a record sales year with net sales² of \$20.3 million (+57% YoY), in line with guidance
- 66.5% gross profit margins (vs 67.0% in FY21) despite ongoing COVID19 disruptions, notably H1
- Normalised EBITDA³ of \$1.4 million (+31% YoY)
- Successful acquisition of Pontville Distillery, reflecting strategic turning point
- Strengthening ‘whisky bank’ with 2.1 million litres of whisky under maturation (at 43% ABV) as at 30 June 2022 (+88% YoY), underwriting future sales growth expectations
- Increase of 25% on Net Sales Value per litre to \$269/L
- Laying foundations for export to seed sustainable long-term growth
- Balance sheet flexibility with solid cash position of \$16.1 million, in addition to an undrawn bank facility of \$10.0 million, as at 30 June 2022
- Focused outlook as long-term strategies remain intact



¹ Results are unaudited

² Net sales = sales after excise.

³ Normalised for: (i) costs relating to the acquisition of Pontville Distillery & Estate, and associate equity raise (FY22); and (ii) JobKeeper cashflow boost (FY21).

RECORD SALES AND EARNINGS, ACROSS CHANNELS

Lark delivered record annual sales, with FY22 net sales of \$20.3 million, in line with guidance provided in February 2022. This represents a 57% increase year on year. The key drivers of this increase were:

- Opening of The Still (December 2021) and improved performance across hospitality venues following COVID19 lockdowns;
- Strong execution of a targeted limited release program, in particular Dark Lark and Lark Rare Cask x Glenfarclas which both sold out ahead of forecast;
- Robust performance of e-commerce channels during ongoing COVID19 lockdown during H1; and
- Increased distribution capabilities across wholesale and retail segments.

FY22 gross profit was \$13.5 million, reflecting gross profit margins of 66.5% (% of net sales). As indicated in February 2022, this result was driven by changing product mix and the significant improvement in Lark-owned hospitality venues in H2.

During FY22, the company continued to invest in critical personnel, including:

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- Expansion of sales team, ensuring representation in retailers and on-premise venues in capital cities, by Lark dedicated people;
- New manufacturing team with the acquisition of Pontville Distillery; and
- New hospitality team with the opening of The Still (December 2021) and Lark @ Pontville cellar door (March 2022).

Normalised FY22 EBITDA³ was \$1.4 million, an increase of 31% YoY. This result was driven by the increase in revenue and partially offset by the ongoing brand and people investment to support and drive future revenue streams.

PONTVILLE DISTILLERY ACQUISITION, A STRATEGIC TURNING POINT

The acquisition of Pontville Distillery in February 2022 represents a strategic turning point for Lark. The historical significance of the site will enhance Lark's customer experience and enable Lark to develop the site as a luxury tourism destination, attracting new consumers to the brand and provide an opportunity to showcase Lark to existing consumers.

The site will also be the home of the new Lark distillery, capable of producing ~1.0 million litres of new make spirit annually, exponentially growing the whisky bank. Plans for the site that are sympathetic to its historic significance and are being finalised for submission to the relevant authorities.

WHISKY BANK UNDERPINS FUTURE STRATEGY

As announced on 26 July, Lark achieved 2.1 million litres whisky under maturation (at 43% ABV) as at 30 June 2022, exceeding previous ambitions. During FY22, Lark produced ~430,000 litres at 43% ABV across its three distilleries, supporting this milestone.

The development of a robust whisky bank with a diverse cask programme provides confidence to meet consumer demand and deliver Lark's planned export program over coming years. Sales volumes are managed to ensure continuous growth against the whisky maturity profile and optimising net sales value, increasing by 25% year on year to \$269/L.

BRAND INVESTMENT ONGOING

During the year, Lark continued marketing investment across digital, brand and innovation, preparing the Company for global scale-up. Key brand highlights throughout the year include:

- Rare Cask Series continues to deliver ongoing high NSV, creating a halo effect on the brand, demonstrating the opportunity in the prestige end of Lark's portfolio;
- Direct to consumer and online optimisation, delivering omnichannel approach with new website offering best-in-class user experience and new capabilities. Lark's database has now grown to 47K active users; and
- Reinforced quality and craft credentials globally, continually demonstrating success on the international stage, for both whisky quality and innovation, including:
 - Awarded the top honour of World Whisky MASTER Medal, for Chinotto 2022;
 - In June, The World Whisky Awards announced LARK Symphony N°1 as the Australian Winner of Best Blended Malt Whisky, No Age Statement; and
 - Sustainable Distillery of the Year, reflecting the businesses ongoing Carbon Neutral commitment.

Moving into FY23, Lark remains committed to building brand longevity and thoughtful approach to defining the brands luxury positioning on a global scale.

INCREASED ENGAGEMENT WITH EXPORT PARTNERS

Another strategic priority of management during the year was preparing the Company to embark on sustainable growth in exports. As announced in the June quarterly update, additional export sales orders were observed during the period. The company is also building marketing strategies through high net wealth

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Australian residents to drive awareness and demand in export markets, particularly in Asia. These groups have expressed a strong appetite to acquire Rare casks and Legacy range, demonstrating the opportunity for Lark to grow into these markets with super-premium, luxury whiskies, in particular.

The Company continues to build these export foundations in a sustainable manner to drive future revenue growth, enabling the company to be competitively positioned as it continues to scale globally.

WELL-FUNDED WITH BALANCE SHEET FLEXIBILITY

Cash at bank of \$16.1 million as at 30 June 2022, in conjunction with additional \$10.0 million undrawn NAB Debt Facility, leaves Lark in a strong and flexible position to achieve its current objectives. Importantly, this is post the successful completion of Pontville Distillery for \$39.0 million (February 2022), including associated equity raising (in excess of \$56.0 million).

OUTLOOK

As announced within the Company's June quarterly update, Lark continues its long-term strategic pathway of building brand reputation while executing its growth initiatives, supported by balance sheet strength.

Lark's key strategic initiatives planned for FY23 include:

- Appointment of a new CEO;
- Consumer-targeted and disciplined limited release program;
- Expansion of Classic collections, ensuring core range to meet the demand for luxury, high end products;
- Sustainable export strategy in key markets in China, South East Asia and US;
- Expanding distribution and range within Australia;
- Building on reputation as Australia's preeminent luxury whisky;
- Additional focus on the opportunities in Australia and export markets for Forty Spotted Gin;
- Continuation of carbon neutral program.

Lark Managing Director and Interim CEO, Laura McBain, said:

"The innovation and agility of the Lark team delivered strong results for FY22, despite volatile trading conditions as a result of ongoing COVID19 impacts. We are very excited about the future opportunities for Lark, underpinned by high quality whisky under maturation. We expect to see strong expansion in Australia through our dedicated sales team and continue to seed export markets where the brand is highly regarded. Forty Spotted Gin now has dedicated resources to grow and develop its market position and we will look to expand its distribution in Australia and export opportunities."

CORPORATE

Acquisition of Pontville Distillery & Estate

Lark Distilling Co completed the acquisition of Pontville Distillery & Estate in February 2022, with funds raised via an institutional placement and share purchase plan totalling over \$56.0 million. The Pontville acquisition included ~480,000 litres of whisky under maturation, a considerable estate of 40 acres and buildings (distillery & bond stores), plus onsite cooperage. The acquisition continues to support Lark's vision of becoming a global icon in single malt whisky and the world's most innovative distiller.

Federal Government's Modern Manufacturing Initiative Grant

Lark was awarded a \$4.5 million grant in relation to the Modern Manufacturing Initiative-Manufacturing Integration Stream - Food and Beverage Priority Round 2. Funds will be directed towards the new Pontville Distillery build which is currently in planning stage.

RESULTS WEBINAR

The Company will host an investor webinar with Interim CEO Laura McBain, and CFO Alex Aleksic, at 2.00pm AEST on Monday, 29 August 2022 to discuss the results. Register for the investor webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_OJykP2JSTCuN90y5jQ6_hQ

Questions can be pre-submitted to sam@nwrcommunications.com.au or asked via the Q&A function during the webinar.

After registering, you will receive a confirmation email containing information about joining the webinar.

About Lark Distilling Co:

Founded in 1992 by pioneers Bill & Lyn Lark, this year Lark Distilling Co. celebrates three decades of crafting world-class, award-winning Whisky. From humble beginnings on a kitchen table, curiosity and courage bore Tasmania's very first licensed whisky. Lark Distilling Co., the leading luxury Australian Whisky brand, houses a range of spirits headlined by its single malts; Classic Cask 43% and Cask Strength 58%, and its unique blended-malt whisky, SYMPHONY. The distillery also produces a range of Forty Spotted Gins and handcrafted Tasmanian liqueurs.

For the second consecutive year, Lark Distilling Co. was shortlisted for the World Whisky Producer of the Year in the coveted International Wine & Spirits Competition, and in August 2022 received the Master Medal Award, in the World Whisky Masters, for its innovative Chinotto Cask II Cask Strength release, alongside a further seven gold medals across the portfolio.

In April 2021, Lark Distillery was named Australia's first carbon-neutral distillery under the Australian Government's Climate Active Program, meaning the activities associated with running Tasmania's first distillery have no net negative impact on the climate. One of the most rigorous and widely recognised carbon-neutral programs in the world, Climate Active certification is only awarded to businesses and organisations that have credibly reached a state of achieving zero net emissions.

For more information contact:

Investors
Sam Wells
+61 427 630 152
sam@nwrcommunications.com.au

Melanie Leydin (Company Secretary)
+613 9692 7222
melanie.leydin@vistra.com

This announcement has been approved for release by the Board of Directors.

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