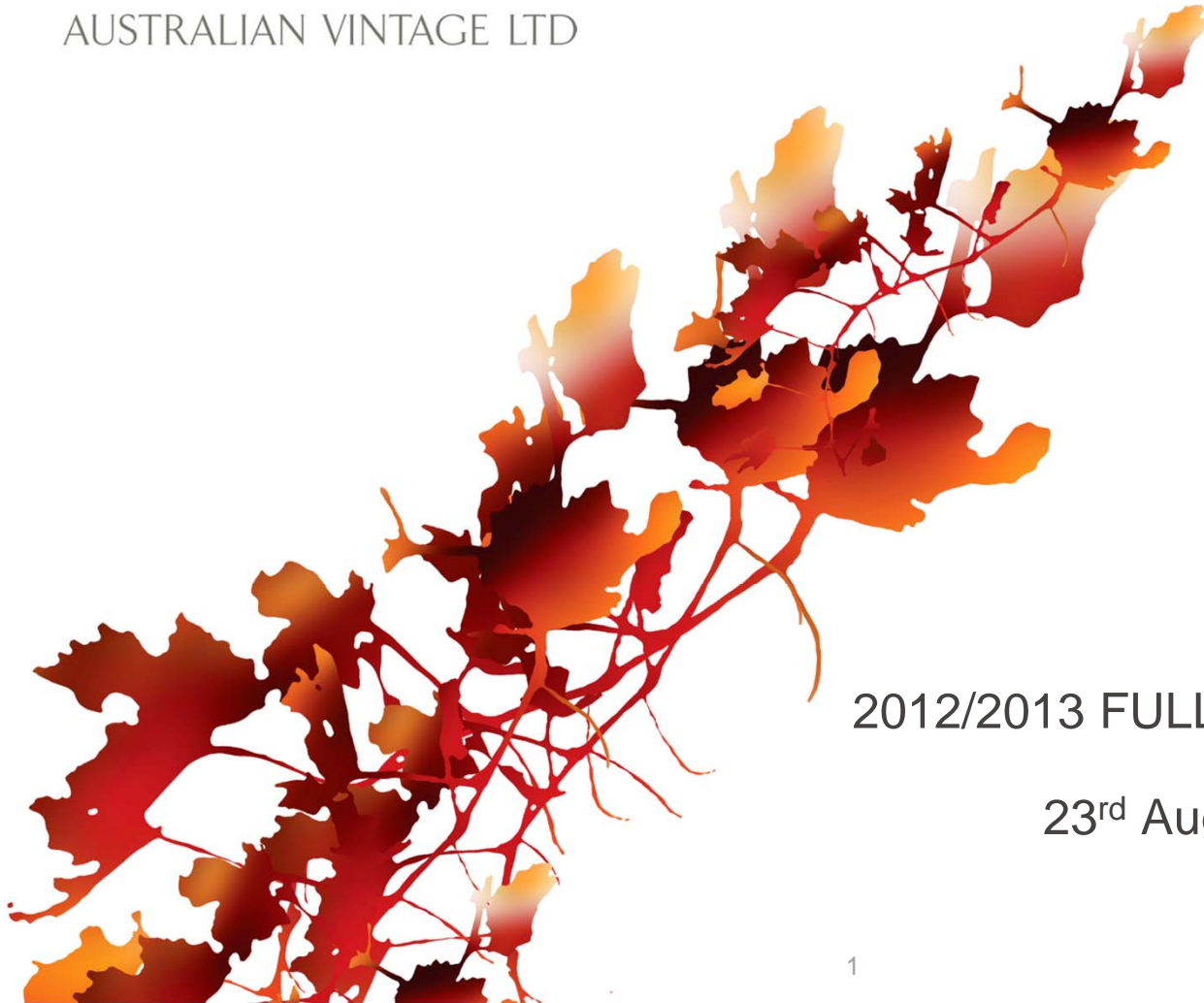




AUSTRALIAN VINTAGE LTD



2012/2013 FULL YEAR RESULTS

23<sup>rd</sup> August 2013

## Disclaimer

The information in this presentation is general advice, given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way including by reason of negligence for errors or omissions herein is accepted by Australian Vintage Ltd.

Before making an investment in Australian Vintage, the investor or prospective investor should consider whether such an investment is appropriate to their particular investments needs, objectives and financial circumstances.



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**Top Line Result**

**Market Overview**

**Australian Wine Industry**

**Australian Vintage Limited – Business and Results Summary**

**Outlook**





AUSTRALIAN VINTAGE LTD



TOP LINE RESULT

## Australian Vintage Maintains Profit and Dividend and Reduces Cost Base

1. Net Profit maintained at \$7.1 million in difficult trading conditions.
2. Fully franked dividend maintained at 2.6 cents per share.
3. Successful renegotiation of vineyard leases resulting in an annual cash saving of \$4.5 million per annum plus other benefits.
4. A significantly larger vintage at 153,000 tonnes compared to 120,000 tonnes in 2012 resulting in a reduction in our 2013 average cost per litre.
5. EBIT of \$24.1 million compared to \$23.4 million last year.
6. Net Debt increased by \$13.0 million to \$142.1 million due to increase in inventory (up \$19.7 million).



## Reduced Bulk Wine Sales and Strong \$AUD Impacts Revenue

1. Sales down by \$19.4 million or 8.5% to \$208.5 million due mainly to reduced cask wine and bulk wine sales together with the impact of the Australian dollar.
2. UK/Europe sales were down \$8.5 million or 8.7% of which reduced low margin bulk wine represents 6% and the impact of the high Australian dollar represents 1%.
3. Australasia/North America bulk wine revenue was down \$11.0 million due to reduced low margin bulk wine sales.
4. In terms of Branded Sales, sales of the McGuigan brand grew by 10%, Tempus Two by 26% and Nepenthe by 18%.





AUSTRALIAN VINTAGE LTD



## MARKET OVERVIEW

## World Industry Conditions

1. We believe the industry globally is moving towards balance and entering a new phase of its supply/demand cycle. This will eventually increase industry returns.
  - Oversupply is decreasing - Global output fell from 26,400 million litres in 2011 to 24,800 million litres in 2012. The 2012 vintage was the smallest since 1975.
  - Consumption is increasing - It has been outpacing production for more than six years, and global inventories are now 7,500 million litres below the highs reached in 2006, a drop of approximately 40%.
2. Alongside the cyclical change, global production and consumption patterns are shifting. Producers in Europe have dropped significant capacity as their populations begin to consume less wine, and production around the Pacific is increasing as Pacific markets including the US and China grow. This is a process that will continue to play out over the coming decade.

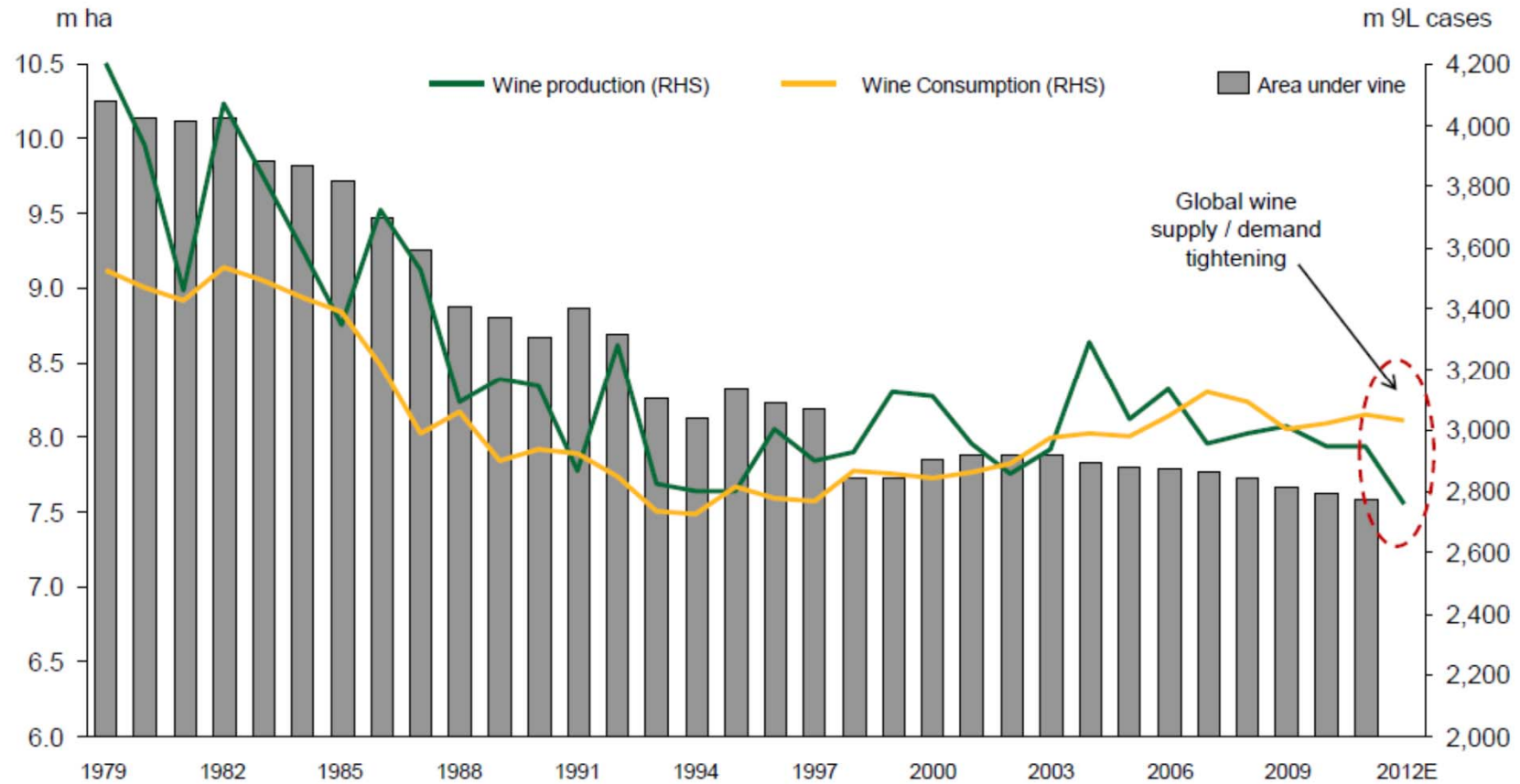
(Sources: International Organisation of Vine and Wine, Rabobank Wine Quarterly)





# World Industry Conditions (continued)

## Global Wine Supply and Demand



Note: Provisional 2011 data, 2012 estimates; Area under vine covers all grapes  
 \* Consumption figures include c.333m 9L cases of wine used in the production of fortifieds and industrial applications  
 Source: International Organisation of Vine and Wine (OIV)



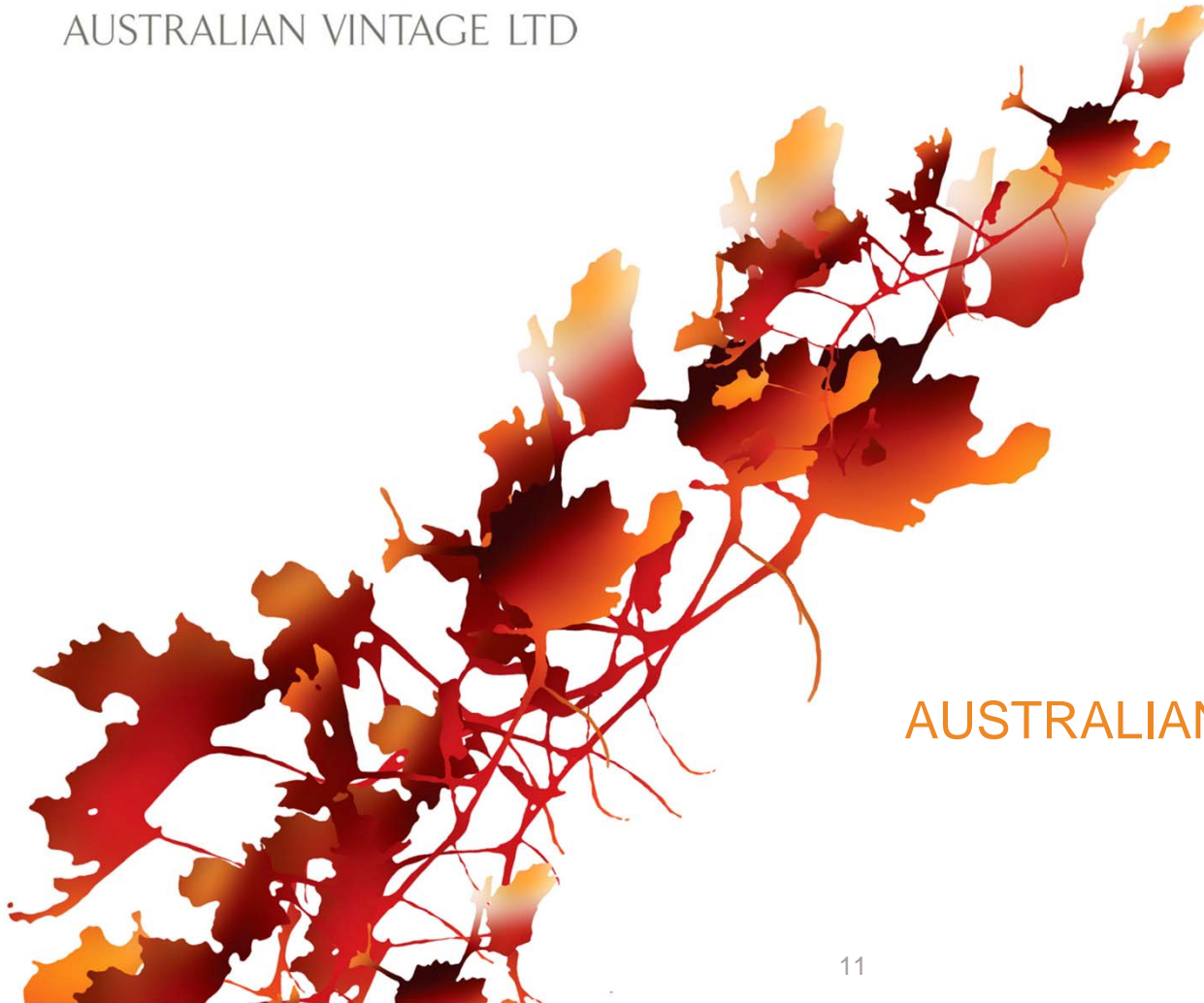
## World Industry Conditions - Summary

1. The global wine industry is cyclical, partially due to the slow supply response.
2. The industry cycle is currently moving towards supply/demand balance.
3. Global area under vine continues to decline.
4. Global consumption growth is beginning to increase after years of decline.
5. Asia-Pacific has become the new growth area as European markets shrink.
6. Consolidation in the retail sector and dominance by major companies continues to provide challenges to the industry.





AUSTRALIAN VINTAGE LTD



AUSTRALIAN WINE INDUSTRY

## 2013 Vintage

1. The quality of the 2013 vintage was very good with some parcels of wine arguably higher in quality than the exceptional 2012 vintage.
2. The Australian industry crush increased by more than 10% to 1.83 million tonnes. The 2012 crush was 1.66 million tonnes.
3. The 2013 crush is 100,000 tonnes above the average for the past 6 years of 1.73 million tonnes.
4. The increased crop resulted from the absence of major events such as disease or flooding.
5. The large 2013 vintage reminds the Australian wine industry that the production potential of the Australian industry remains too high.

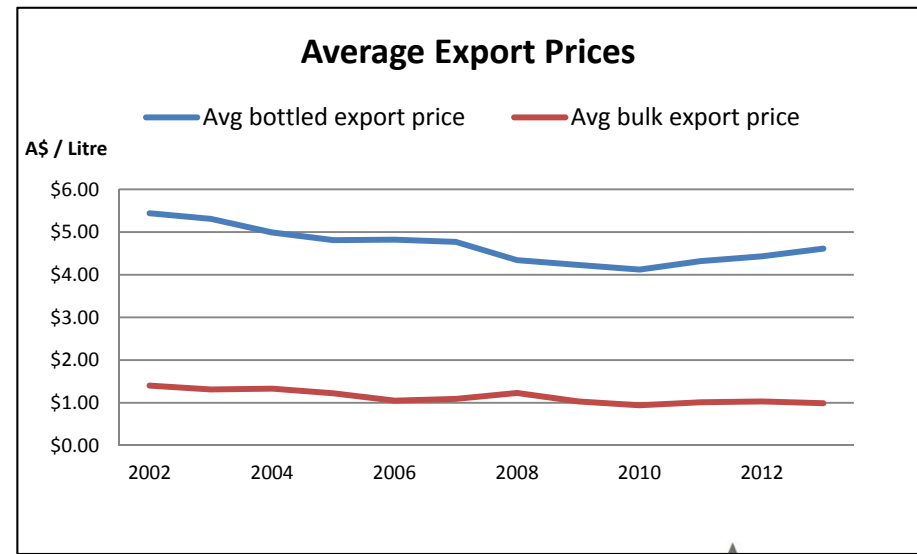
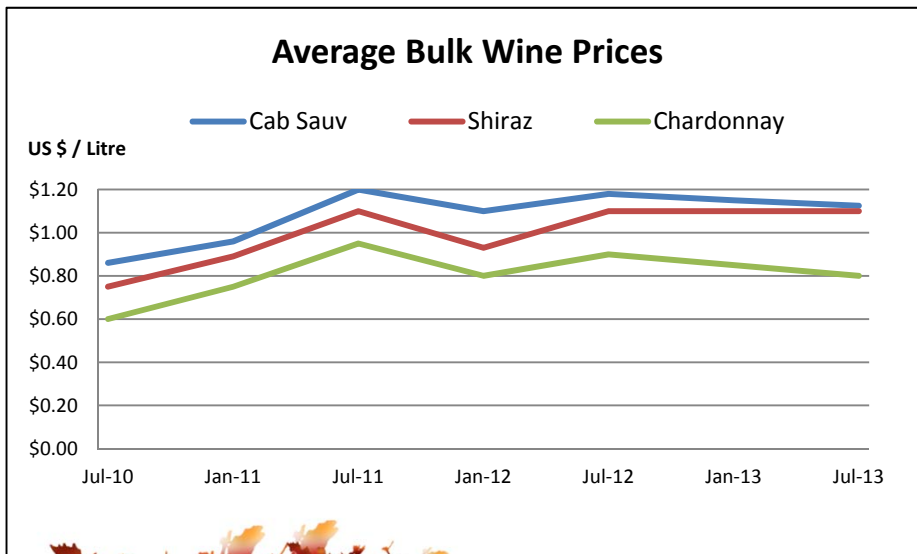
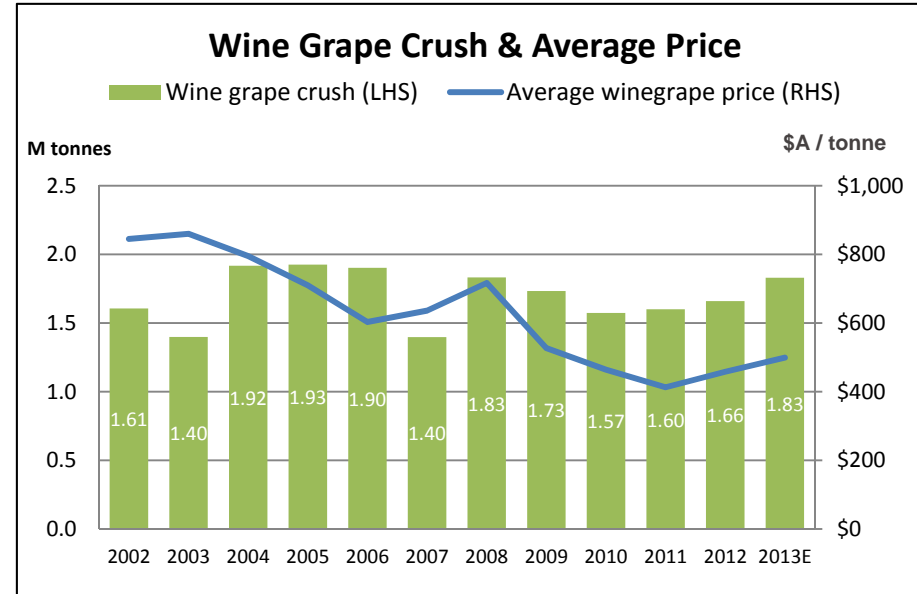
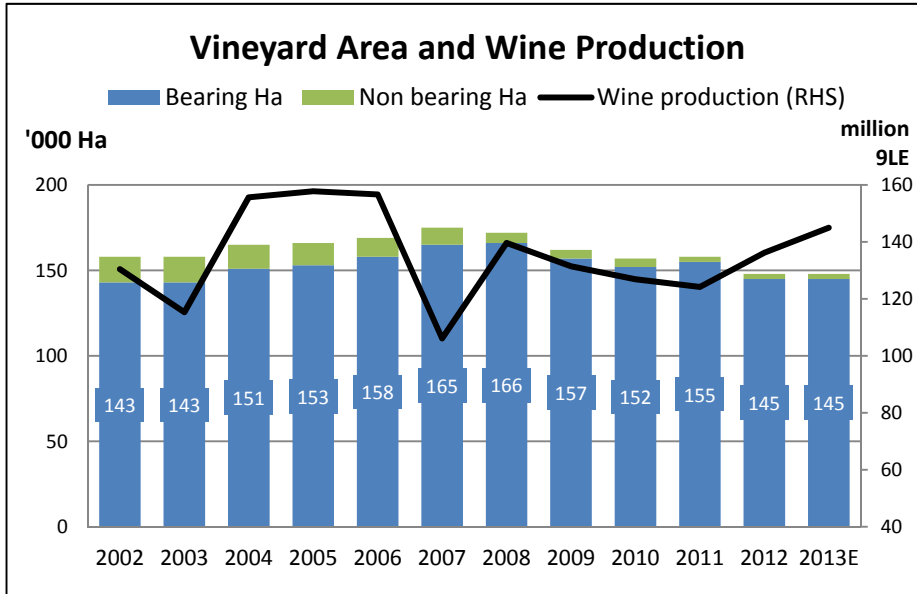


## 2013 Vintage (continued)

6. Although the 2013 vintage is above expectations the long term outlook is that the supply and demand will continue to move towards balance.
7. The high AUD, which has negatively impacted profitability of wine companies, has recently reduced by around 13%. This movement should improve the profitability of export wine sales.
8. The wine industry continues to face challenges but there are signs that industry conditions are improving.



# Australian Wine Industry - Snapshot

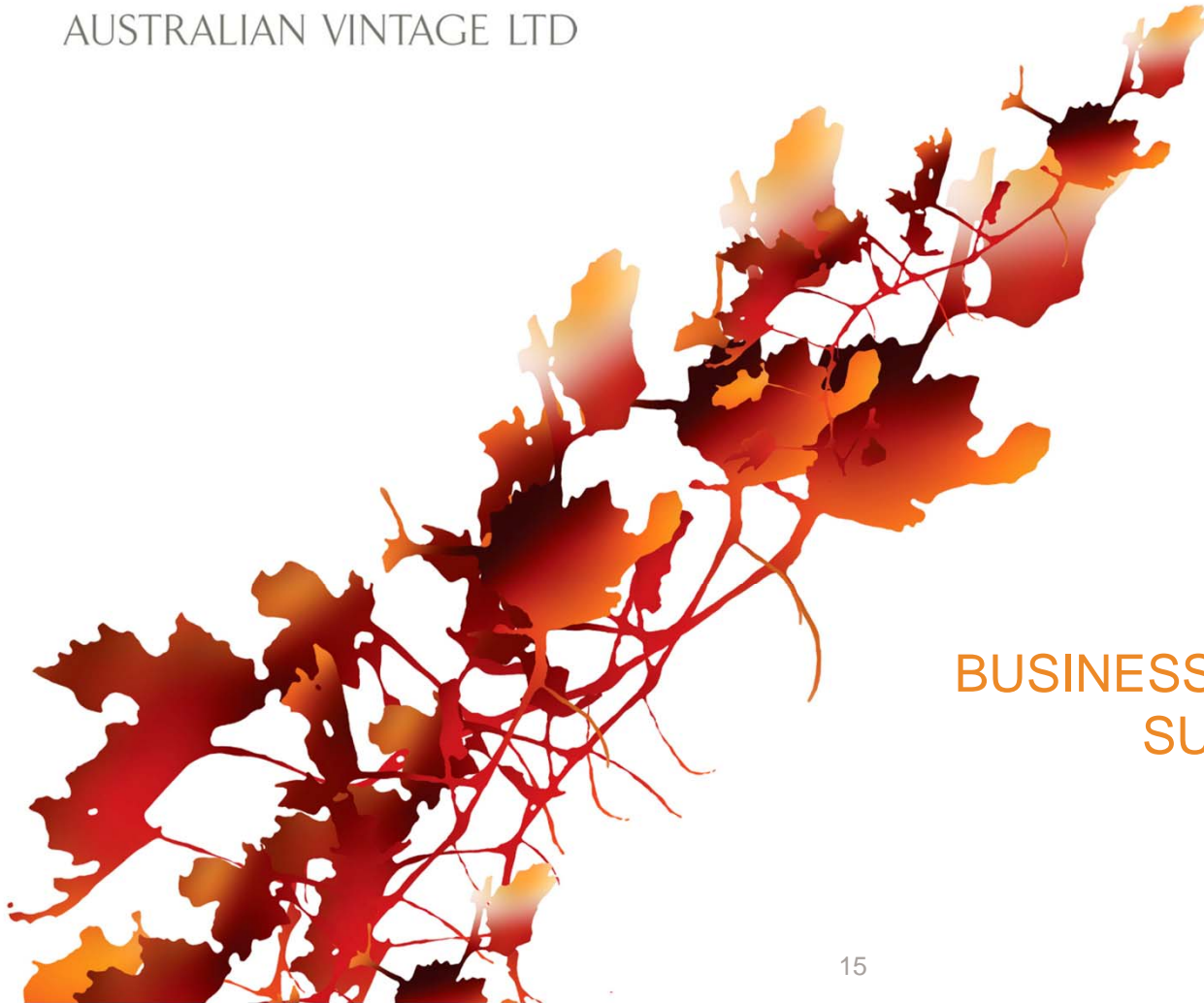


Source: Wine Australia, Ciatti Company





AUSTRALIAN VINTAGE LTD



## BUSINESS AND RESULTS SUMMARY

# Australian Vintage continues to respond to Industry Challenges

## 1. Continued focus on Branded sales

During the year ended 30 June 2013 sales of the McGuigan brand grew by 10%, Tempus Two by 26% and Nepenthe by 18%.

The McGuigan Wines is ranked the World's 14<sup>th</sup> most admired wine brand and the 2<sup>nd</sup> most admired Australian wine brand.

Australian Vintage is the fastest growing supplier of wine in Australia.

McGuigan Black Label Red remains the largest selling red wine SKU by volume over any other red wine in Australia.

(Sources: Drinks International, Aztec data)





# Australian Vintage continues to respond to Industry Challenges

## 1. Continued focus on Branded sales (continued)

The McGuigan brand continued its growth in both the domestic and export market.

Overall, the McGuigan brand increased by 6% in volume to 2.67 million cases. In the domestic market the McGuigan brand experienced a 17% growth in volume and a 21% growth in sales dollars and in the export market the brand increased 3% by volume and 5% in sales dollars.

The Tempus Two brand grew by 19% in volume and 26% in sales dollars and the Nepenthe brand grew by 15% in volume and 18% in sales dollars.

MCQUIGAN  
WINES

T E M P U S T W O



NEPENTHE  
WINES



# Australian Vintage continues to respond to Industry Challenges

## 1. Continued focus on Branded sales (continued)

As part of the strategy to grow our brands it is critical that AVL maintains a strong focus on wine quality.

During the year AVL was again awarded the White Winemaker of the Year award at the world's most prestigious wine competition – The International Wine Challenge.

Following on from winning International Winemaker of the Year three times at the International Wine and Spirit Competition in London, winning the International White Winemaker at the International Wine Challenge for the third time has given AVL six awards across two of the world's premier wine competitions.



# Australian Vintage continues to respond to Industry Challenges

## 2. Control Costs

During the year the terms of our leased vineyards with Belvino Investments were renegotiated, resulting in the following benefits:-

- a) A reduction in the annual lease cost of \$4.5 million. This represents a saving of 32%.
- b) An additional contribution of \$1.25 million toward the upgrade and maintenance of the leased vineyards.

Belvino have also agreed to purchase an additional \$2.2 million of water entitlements for Australian Vintage use.

The above benefits, which commenced 1<sup>st</sup> January 2013, will start flowing through AVL's results from 2014/15.



# Sales Summary

## Full Year Sales

	Dollar Sales (\$'000)		
	2011/12	2012/13	% Change
Australasia/North America packaged	79,371	79,903	1
UK/Europe	97,302	88,847	(9)
Cellar Door	6,913	6,843	(1)
Australasia/North America bulk wine and processing	40,550	29,524	(27)
Vineyards	3,826	3,432	(10)
	<b>227,962</b>	<b>208,549</b>	<b>(9)</b>
<b>Litres Sold ('000)</b>	<b>131,403</b>	<b>109,515</b>	<b>(17)</b>



## Core Business Improving but result impacted negatively due to poor 2012 Vintage

\$'000	Results 2012	Results 2013	Change	
			\$'000	%
Australasia/North America packaged	6,353	5,214	(1,139)	(18)
UK/Europe	7,098	3,350	(3,748)	(53)
Cellar Door	885	708	(177)	(20)
Australasia/North America bulk wine and processing	7,562	8,000	438	6
Vineyards	1,466	3,485	2,019	138
<b>Total</b>	<b>23,364</b>	<b>20,757</b>	<b>(2,607)</b>	<b>(11)</b>
Impairment of water licences	-	(901)		
Gain on provision for onerous contracts	-	4,223		
<b>EBIT</b>	<b>23,364</b>	<b>24,079</b>	<b>715</b>	<b>3</b>
Finance costs	(14,751)	(13,910)		
Interest received	325	312		
<b>Profit (before tax)</b>	<b>8,938</b>	<b>10,481</b>	<b>1,543</b>	<b>17</b>



## Domestic and Export

The Australasia/North America segment contribution declined by \$1.1 million due to reduced cask sales (\$0.3 million) and the impact of higher 2012 vintage costs (\$0.7 million).

The Australasia/North America bulk wine and processing segment contribution improved by \$0.4 million as a consequence of the reduced 2013 vintage cost per unit attributable to the larger vintage.

The UK/Europe segment contribution declined by \$3.7 million predominately as a consequence of higher 2012 vintage costs (\$1.5 million), reduced low margin bulk sales (\$0.5 million), unfavourable movement in the foreign currency (\$0.7 million) and reduced profit in Ireland (\$1.0 million) from lower sales following the significant excise duty increase in March 2013 and higher marketing expenses (Dublin City Vineyard).

Cellar door contribution declined by \$0.2 million due mainly to reduced NSW government rebates. The underlying contribution was pleasing.

Vineyard contribution improved \$2.0 million mainly as a result of higher crop levels from owned vineyards.



## Impact of Foreign Exchange Movements on Results and Business

- With approximately 68% of our total export sales in GBP, 9% in Euro and 2% in CAD, AVL's exposure to exchange rates is significant. The balance of our export sales is in AUD.
- The average weighted GBP in 12/13 was 65.7 compared to 65.0 in the previous year. This represents a negative movement of 1% and resulted in a negative impact on our GBP foreign currency sales of \$0.5 million.
- The average weighted Euro in 12/13 was 81.1 compared to 77.2 in the previous year. This represents a movement of 5% and resulted in a negative impact on our Euro foreign currency sales of \$0.5 million.
- The impact of the higher exchange rates has had a negative impact of \$1.0 million on EBIT.



## Cash Flow from Operating Activities

	2012 \$m	2013 \$m
Operating Activities		
Receipts from customers	241.4	223.5
Payments to suppliers and employees	(217.7)	(217.2)
Interest and other costs	(13.3)	(10.9)
Other	0.2	0.3
Net cash from operating activities	10.6	(4.3)
Investing & Financing Activities		
Capital Expenditure	(5.3)	(4.3)
Proceeds from sale of assets	26.1	1.3
Dividends (net of DRP)	(2.3)	(3.1)
Loan payment received	2.3	0.2
	20.8	(5.9)





## Financial Position

During the year net borrowings increased by \$13.0 million due mainly to an increase in inventory (up \$19.7 million) as a result of the larger 2013 vintage.

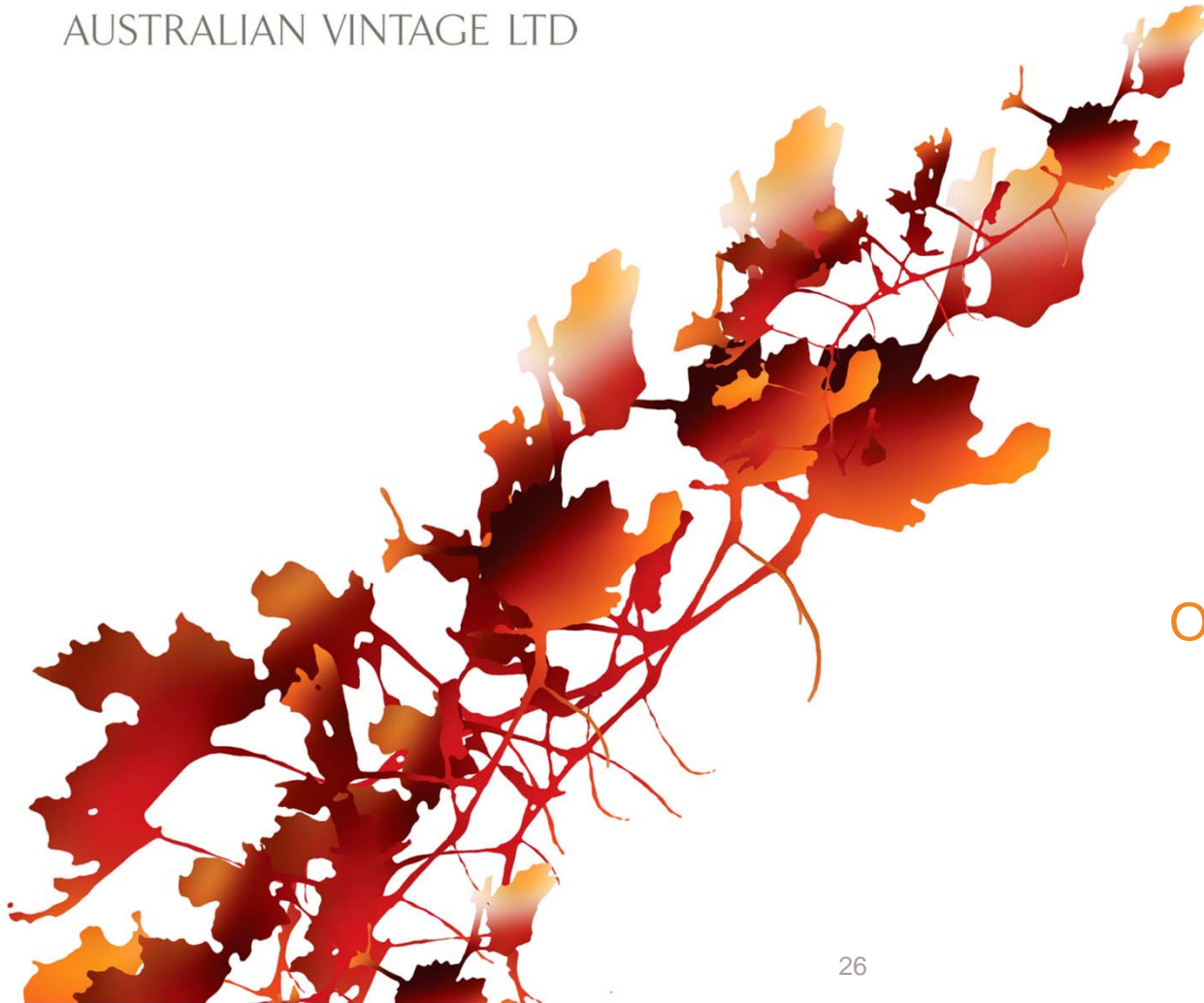
Gearing (net debt to equity) increased from 54% in 2012 to 59% in 2013.

The existing banking facility expires in September 2014 and we are negotiating a further one year extension. We are also considering other capital management alternatives.





AUSTRALIAN VINTAGE LTD



OUTLOOK

# Outlook

- **Industry**

- Will remain challenging but there are signs that industry conditions are improving.
- Grape production is moving towards balance.
- Global demand has grown faster than supply for the past six years.
- Competition remains fierce across Australian and overseas markets.
- The recent decline in the Australian \$ should improve conditions in the Australian wine industry.

- **Australian Vintage**

- The continued growth in our core brands is very pleasing and we expect this growth to continue. This is and will remain our key strategy.
- The low 2012 vintage has impacted our margins but with the 2013 vintage volumes up by 28% we expect our margins to improve as we sell wines from the 2013 vintage.
- We expect that the higher 2013 vintage throughput will improve our cash flow as future requirement for bulk wine will be substantially less.
- Our largest export markets are the UK and Europe and with the favourable movement in the GBP and the Euro, we expect the contribution from our export business to improve.
- The renegotiated vineyard leases will immediately improve cash flow with the accounting benefits flowing through from 2014.



## Outlook (continued)

### Forecast 2014 net Profit for Australian Vintage Limited

Considering the benefits from the much improved 2013 vintage, the weakening of the Australian \$ and the reduced vineyard lease costs we expect our full year net profit (after tax) in 2014 will improve by somewhat in excess of a third on the 2013 net profit of \$7.1 million.

This forecast is based on normal vintage conditions, expected sales (based on historical sales patterns) and Bloomberg average forecasts for the GBP and the Euro. Any change to these could materially impact our 2014 result.



# Additional Information





McGUIGAN  
WINES

*Come on in*

# McGuigan Wines global success

McGuigan Wines international awards success continued throughout FY13...



## **International Winemaker of the Year 2012 – International Wine & Spirits Competition**

- The only winery in the competition's 43 year history to have been awarded 'world's best' three times.
  - 39 wines entered | 39 medals received – an unprecedented 100% strike rate.

## **White Winemaker of the Year 2012 – International Wine Challenge**

- Third time in five years.
- International Semillon Trophy | Australian White Wine Trophy | Hunter Valley Semillon Trophy – Bin 9000 Semillon 2005.

## **Australian Producer of the Year 2012 - International Wine & Spirits Competition**

- Third time in four years.
- International Semillon Trophy – Bin 9000 Semillon 2004.

## More than just medals

With further success across all markets...



- McGuigan Black Label Red is the #1 selling red wine by volume in the Australian market.
- McGuigan Wines is ranked as the #14 *most admired wine brand in the world* by leading UK drinks publication Drinks International, and the #2 Australian brand ahead of Wolf Blass, Château Lafite, Jacob's Creek, Robert Mondavi, Haut-Brion, Oyster Bay and Wyndam Estate.
- McGuigan Wines is the #7 global wine brand in the UK market – up from 153<sup>rd</sup> just over eight years ago.
- McGuigan Wines is the #1 global wine brand in Ireland market on the strength of the Black Label and Black Label Reserve ranges, and innovative marketing initiatives such as McGuigan City Vineyard Dublin.
- Winemaker Peter Hall was recognised as Hunter Valley Winemaker of the Year in early 2013.
- McGuigan Bin 9000 Semillon 2005 was awarded the prestigious title of Champion White Wine of Show at the International Wine Challenge 2013. More commonly referred to as *the best white wine of the competition*, the wine triumphed over each and every variety and style of white wine entered in the show – a total in excess of 7,000.
- McGuigan Bin 900 Semillon 2007 won Australian Single Varietal White Wine Trophy at the Decanter World Wine Awards 2013 in London.
- McGuigan Wines is the #1 global wine brand in Nova Scotia, Canada.



# Portfolio extensions to drive growth

New ranges launched in FY13 to drive premiumisation strategy...



Classic



Reserve



Expressions



Founder's Series

## Highly awarded on the world stage

Brand	Award		
McGuigan	<p>Trophy - International Winemaker of the Year Trophy - Australian Producer of the Year Trophy - White Winemaker of the Year</p> <p>Trophy - Champion White Wine of Show Trophy - International Semillon Trophy - Australian White Wine Trophy - Hunter Valley Semillon Trophy - International Semillon Trophy - Australian Single Varietal White Wine</p> <p>Gold 'Best in Class' Gold 'Best in Class' Gold 'Best in Class' Gold 'Best in Class'</p> <p>Gold Gold Gold Gold Gold Gold Gold Gold</p>	<p>International Wine &amp; Spirits Competition International Wine &amp; Spirits Competition International Wine Challenge</p> <p>International Wine Challenge International Wine Challenge International Wine Challenge International Wine Challenge International Wine &amp; Spirits Competition Decanter World Wine Awards</p> <p>International Wine &amp; Spirits Competition Cairns Wine Show International Wine &amp; Spirits Competition International Wine &amp; Spirits Competition</p> <p>Cairns Wine Show International Wine Challenge International Wine Challenge Cairns Wine Show Melbourne Wine Show Royal Hobart Wine Show Hong Kong IWSC Decanter World Wine Awards</p>	<p>Bin 9000 Semillon 2005 Bin 9000 Semillon 2005 Bin 9000 Semillon 2005 Bin 9000 Semillon 2005 Bin 9000 Semillon 2004 Bin 9000 Semillon 2007</p> <p>Farms Shiraz 2009 Bin 9000 Semillon 2007 Bin 9000 Semillon 2004 Bin 9000 Semillon 2004</p> <p>Hand Made 2010 Hand Made 2009 Shortlist Semillon 2007 Shortlist Chardonnay 2012 Bin 9000 Semillon 2012 Shortlist Semillon 2007 Shortlist Semillon 2007 Bin 9000 Semillon 2006</p>
Tempus Two	<p>Trophy - Best Semillon Blend Trophy - Best Semillon Blend Trophy - Semillon</p> <p>Gold Gold Gold Gold</p>	<p>Perth Royal Show Riverina Wine Show Hunter Valley Wine Show</p> <p>Hong Kong IWSC International Wine Challenge International Wine Challenge International Wine Challenge</p>	<p>Varietal Semillon Sauvignon Blanc 2012 Varietal Semillon Sauvignon Blanc 2012 Pewter Semillon 2011</p> <p>Copper Wilde Chardonnay 2011 Copper Zenith Semillon 2005 Copper Zenith Semillon 2009 Copper Zenith Semillon 2010</p>
Nepenthe	<p>Trophy - Best Australian Sauvignon Blanc £10+</p> <p>Gold Gold 5* Winery</p>	<p>Decanter World Wine Awards</p> <p>Australian Cool Climate Wine Show Royal Hobart Wine Show James Halliday Wine Companion</p>	<p>Altitude Sauvignon Blanc 2011</p> <p>Pinnacle Ithaca Chardonnay 2011 Late Harvest Riesling 2010</p>