

## Strong growth trajectory driven by wholesale distribution gains position Founders First for further acceleration in FY21

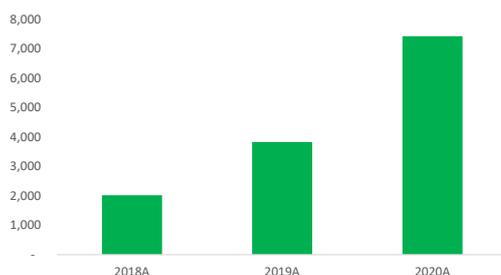
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ASX Announcement

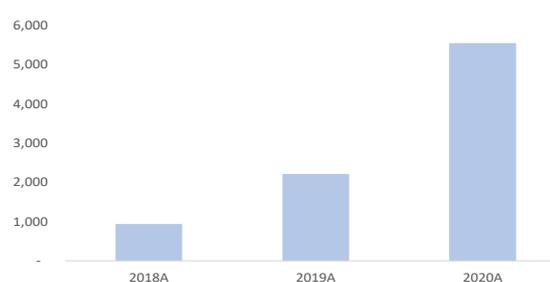
### Performance Highlights:

- Maiden ASX listed FY results reflect strong growth and momentum into FY21
- Cash on hand of \$11.4 million
- Revenue from Ordinary activities \$9.2m – an increase of +131% vs FY19
- Total Income of \$10.4 million – an increase of +160% vs FY19
- Wholesale revenue growth of +113%<sup>1</sup> vs FY19 on a 100% basis (+260% for consolidated entities)
- National Distribution increase of +151% vs FY19 with significant gains to come through additional distribution points secured at the end of FY20
- Adjusted FY20 loss of \$5.9 million removing one-off costs associated with ASX listing and legal fees associated with business investments / acquisitions and COVID-19
- Founders First has a strong balance sheet and is positioned for further growth as further industry consolidation occurs

#### Wholesale Sales – 100% Basis



#### Unique Distribution Points



Founders First Limited (ASX: FFL) (“the Company”) is pleased to announce its financial results for the 12 months to 30 June 2020, marking a significant year in the company’s journey. FFL achieved multiple milestones that have set the business up to become a major player in the Australian Beverage Industry. These included:

- Listing on the ASX on the 17<sup>th</sup> of December 2019

<sup>1</sup> Wholesale revenue numbers are on a 100% basis and are sourced from sales order systems across the portfolio

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## FOUNDERS FIRST

- Completed four acquisitions and executed eight equity investments
- Highly capable team in place, assembled from various Tier 1 backgrounds and geared to create a significant and sustainable business over the coming years
- Investment in digital infrastructure that will ensure Founders First has world-class eCommerce capability and financial management through an ERP rollout
- Delivered strong growth through Q3 and Q4 despite the impact of COVID-19 on venues across the country
- Launched a new Industry facing identity “Mighty Craft” that better encapsulates the Company’s vision and purpose. Founders First is considering a company-wide rebrand for shareholder approval at the AGM
- Agreed a Joint Business Plan with Coles ensuring alignment of long-term growth aspirations
- Expanded into Whisky with the first batch of premium Tasmanian and Kangaroo Island Whisky in the market mid FY21
- Closed FY20 with a strong balance sheet and is poised for further growth given the momentum gains seen towards the end of the fiscal year

Founders First Managing Director Mark Haysman said: “I am extremely proud of what the Founders First team has achieved in FY20. Our results are strong, growth is accelerating, and we are executing our strategy at pace during challenging times”.

“There is a huge opportunity in front of us to create a significant and sustainable craft business that benefits our shareholders, partners and the craft beverage industry in this country. The macro theme surrounding craft is here to stay and given the calibre of our team we are uniquely positioned to solve industry-specific problems and create a thriving craft beverage business.”

“FY20 is just the beginning, the prize is still ahead of us. We have invested significantly through COVID-19 to ensure we are ready to accelerate as we exit this difficult period. There will be consolidation in the craft industry, and we will continue to ensure we are well placed to capitalise on these opportunities. We have a strong balance sheet, have strong momentum and are laser-focused on executing against our strategy of becoming the strongest craft collective in the world.”

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### Operating Highlights:

Founders completed a significant number of transactions throughout 2020 resulting in a portfolio of beer, spirits/Ready To Drink's (RTD's) and venues that has large upside potential. It is important to note that the expanded portfolio was only in place from late FY20.

**Spirits/RTD's:** Founders First completed several significant transactions with respect to its spirits portfolio in 2020. The company acquired 100% of Kangaroo Island Distillery (brands Kangaroo Island Spirits - KIS) in March and 65% of Australian Native Spirits (Green Ant Gin) in April. These two businesses will add a combined ~ 50k bottles of annual volume in 2020 with significant expansion opportunities both within Australia and internationally. The company also invested in Brogans Way from Richmond in Victoria and Torquay Beverage Company (formerly K Booch Pty Ltd) which will be the innovation arm of the business going forward.

Mr Haysman commented, "Both Kangaroo Island Spirits and Green Ant Gin have amazing backstories which haven't been told to date outside of South Australia. Kangaroo Island Spirits is wonderful Australian success story and Green Ant Gin, which uses native ingredients harvested by the Larrakia people – both amazing premium brands, rich in history and authenticity, and largely undiscovered. Kangaroo Island Spirits recently had the highest scoring Australian gin at the International Wine and Spirits Awards in London – a credit to the KIS team."

The company also recently announced an expansion into whisky through a partnership with Chris Malcolm the former CEO of Australian Whisky Holdings and former Executive Chairman of Lark Distillery. This whisky was originally distilled at the Nant Distillery in Tasmania and the first batch will be in market in Q221. Additionally, the first batch of Kangaroo Island single malt whisky is planned to be in market by December 2020.

**Beer:** The Founders First Beer portfolio contains six brands, with majority ownership stakes in Jetty Road and Foghorn. All brands within the portfolio are growing strongly, with majority owned brands (Jetty Road and Foghorn) achieving 260% wholesale growth for the year. On a 100% basis, the wholesale business grew 113% for the year, which is ~7x faster than the craft beer category.

The business model of Founders First is resonating with retailers. Mr Haysman commented, "Our model dramatically simplifies how we work with our retail partners. Rather than dealing with numerous craft players, the retailers can deal with Mighty Craft as a single interface for their craft beer needs. Our sales team, led by Cameron Buckland, former head of Buying at

Dan Murphy's, understand the retail environment in this country and this is a huge advantage for both Founders First, our partners and our retail partners”.

Significant investment in digital infrastructure will further enhance the customer experience in 2021 through the launch of a world class eCommerce platform. This platform will simplify how customers place orders and sets the platform for seamless growth. Initially this platform will focus on B2B while creating a platform for shareholders and staff to order their supplies of Founders products.

**Venues:** 2020 was a tough year for venues and the hospitality industry across the country. From late March, venues across the country were closed due to COVID-19. Founders First reacted by quickly closing venues, standing down staff and implementing short term pay cuts for the executive team to ease the burden through this period. Additionally, the company accessed all available stimulus through the JobKeeper program and tax concessions across all eligible entities.

Mr Haysman commented, “2020 has clearly been a tough year for our venues. We have fourteen venues across the wider group, and they have all been impacted to varying degrees. The business responded swiftly to mitigate the impact of the closure and in some ways we have benefited as we have been able to review our cost structures and ensure that our venues are set to provide a platform for growth and brand connection over the coming year.”

Key developments included:

- Purchase of “Potters Brewery” in the Hunter Valley which has been rebranded as Foghorn Brewery Hunter Valley, expanding Foghorn’s presence within the greater Hunter region – one of one of the best tourism regions in the country.
- Kangaroo Island Distillery – the business was purchased in March 2020 including the land and cellar door and the business has announced plans to invest \$3M into the site creating a world class distillery & tourist destination on KI.
- Venue development on Moonee Ponds and JR South Melbourne was deferred due to the impact of COVID-19 and the cash preservation strategy that was announced in March – Moonee Ponds remains set to open following an upgrade in November 2020.

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### Future Perspectives:

FY20 has been a pivotal year for FFL with a huge amount achieved. The business has a significant high growth beer portfolio, an emerging spirits/RTD portfolio with national relevance and the “Mighty Craft” service solution engine in place to accelerate the growth of these businesses. The business will be digitally enabled from October and with a strong balance sheet is poised for growth heading into 2021

“Our business model is unique”, commented Mark Haysman. “We have a huge opportunity in front of us to create a scale craft business. The macro theme is clear and the problems in the industry are clear – our business model solves these issues for retailers and craft brands. Our platform provides access to capital, commercial capability and retail partnerships that would not otherwise be available to these businesses. We are also creating value within the Founders group with our proprietary assets that will deliver strong returns for shareholders over the coming years. Our ambition is big, we want to become the leading craft collective in the world and we have assembled a team that can execute our strategy with speed and we are incredibly excited about what the next few years will bring”

This announcement has been authorised and released by Managing Director, Mark Haysman

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### About Founders First

Founded in 2017, Founders First (ASX:FFL) is aiming to build the world’s strongest craft beverage collective through supporting and growing independent craft brewery and distillery businesses. FFL has invested in select craft beverages and is accelerating the brands growth through equity and debt funding whilst providing access to FFL’s leading team of liquor industry professionals providing functional excellence to craft operators. Founders First focus is on allowing founders to play to their strengths while the FF team of industry experts supports by covering their gaps constraining growth and profitability.

[foundersfirst.group/](https://foundersfirst.group/)

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