

FF delivers strong Q4 growth with majority owned brands wholesale revenue +262%, entering FY21 with significant momentum

30th July 2020

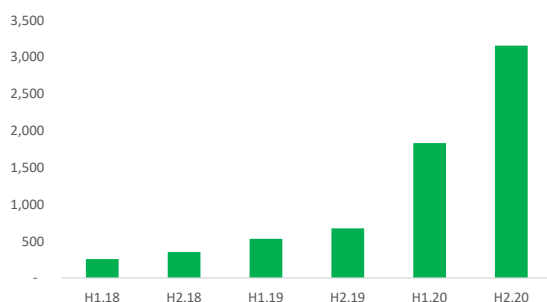
ASX Announcement

Highlights:

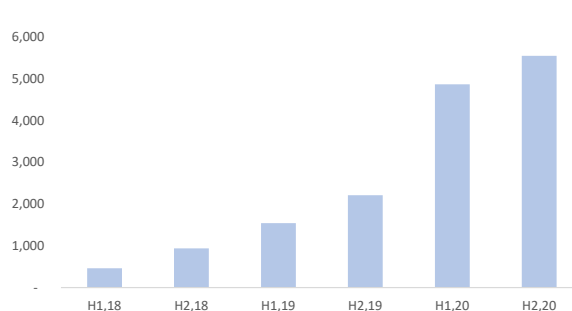
Q4 results reflect strong revenue growth despite the impact of COVID-19 ensuring the business enters FY21 with significant momentum. Key operating highlights included:

- The Craft category experienced a significant acceleration of growth in Q4 growing at over **+50%** (IRI Data 13 weeks to June 15th) as consumers shifted to at home consumption and Founders First brands continue to outperform the category
- Wholesale quarterly revenue growth for majority-controlled entities of **+262%** and total portfolio growth **+112%** vs Q4 19 on a 100% basis despite the closure of venues.
- Secured a **+100%** increase in distribution across National Retailers from September (from 2,067 to 4,069 unique distribution points in the Nationals)
- Secured **+42** new on and off premise accounts across the eastern seaboard as part of the *Indy Fast Start Program*, ensuring a balanced representation across all sales channels
- Executed a master services agreement with Ultra Commerce to launch an enterprise-grade digital commerce platform powered by Amazon Web Services. This platform will allow for seamless growth and will dramatically simplify the customer experience (B2B) for sales orders as well as our D2C consumer experience
- Successfully Integrated KIS (Kangaroo Island Distillery) and Potters in the Hunter Valley. These acquisitions are expected to add ~ **+\$6M** to the top line and significant cashflow to the business in FY21.
- Completed the rebranding of Potters Brewery in the Hunter Valley to Foghorn Brewery Hunter Valley (75%-owned by FFL) which will drive significant growth of the Foghorn brand in one of the most visited tourist destinations in Australia.
- Launched a Spirits distribution model which will initially sell Kangaroo Island Spirits, Green Ant Gin and Brogan's Way products throughout Australia
- Well-funded with \$11.4M cash on hand at the end of FY20

Beer - Wholesale Revenue 100% basis



Beer - Unique Distribution Points



Commenting on the final quarter of FY20, Founders First Managing Director, Mark Haysman said: “Our ability to accelerate growth despite the COVID-19 impact to venues is testament to the growing category of craft and the continued strengthening demand. We have been able to continue to drive growth through our focus on quality distribution, particularly through the off-premise channel seeing wholesale revenue growth of +262% for majority-controlled businesses and +112% for the total portfolio. Pleasingly we expect the recent distribution gains to further accelerate growth in H121”

“We are well placed with a strong balance sheet with \$11.4m cash on hand and a well-diversified portfolio of brands throughout Australia. We have continued to see further acceleration in the FFL craft beer and spirits portfolio as consumers shifted from venues to at home consumption, resulting in an increase in market share in the off-premise channel.

4Q FY2020 Investment activity:

Q4 investment activity slowed as the business integrated recent acquisitions and implemented a cash preservation strategy given the COVID-19 impact to venues. There were a few investments of note:

- Completed the 65% investment in Australia Native Spirits (Green Ant Gin)
- Invested in new tank capacity & a canning line at Jetty Road to double production capacity and realise margin improvement by bringing further production in house
- Completed the land purchase on Kangaroo Island, the home of Kangaroo Island Distillery (the business acquisition was executed in Q3)
- Investment in Ballistic Beer Co. as per the prospectus

COVID-19 Impacts

While the impact of COVID-19 has largely been mitigated the Company provides the following update with regards to the impact and measures taken:

- Venues are re-opening at varying rates given the geographical spread within the portfolio with venues across NSW, Queensland, South Australia, and Victoria.
- The only venue that remains closed is Jetty Road given the ongoing restrictions in Victoria. This is likely to continue for the foreseeable future and during this time the business will continue to focus on manufacturing wholesale product
- Venues in other states are operating between 60-80% of pre-COVID-19 volumes. During these unpredictable times, pleasingly, the business is able to operate venues in a way that ensures a positive profit result
- Government stimulus – given the impact to venues the business has ensured that all available government stimulus has been accessed.

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Founders First unaudited 4Q FY2020 and YTD 30 June 2020 cashflow statement in respect to the financial year ending 30 June 2020

Summarised cash flow; A\$'000	Current quarter \$A'000	Year to date (12 months) \$A'000	4QFY2020 commentary
Cashflows from Operating Activities			
Receipts from customers	2,695	9,094	Strong sales growth despite the closure of venues Investment in organisation capability, brand investment and increased COGS Government stimulus / administration
Payments to suppliers & employees	(3,929)	(15,560)	
Other	622	(89)	
Net cashflow from / (used in) Operating Activities	(611)	(6,555)	
Cashflows from Investing Activities			
Payments made to acquire entities	(7)	(1,240)	Investment in Jetty Road production capacity, Australian Native Spirits, Ballistic and KI Land settlement
Payments made to acquire businesses	(11)	(2,585)	
Cash flows from loans to other entities	(238)	(573)	
Other	(2,300)	(10,913)	
Net cashflow from / (used in) Investing Activities	(2,556)	(15,311)	
Cash flows from financing activities			
Proceeds from issues of equity securities	(0)	29,943	
Transaction costs related to issues of equity securities / Other	(191)	(1,686)	
Net cashflow from / (used in) Financing Activities	(191)	28,256	
Net increase / (decrease) in cash & cash equivalents	(3,358)	6,390	
Cash and cash equivalents at beginning of period	14,737	4,989	
Net cash from (used in) operating activities	(611)	(6,555)	
Net cash from / (used in) investing activities	(2,556)	(15,311)	
Net cash from / (used in) financing activities	(191)	28,256	
Cash and cash equivalents at end of period	11,379	11,379	

* The statement of cashflows is unaudited and is subject to rounding