

Growth Continues to Accelerate whilst \$16m capital raise completed

29 October 2020

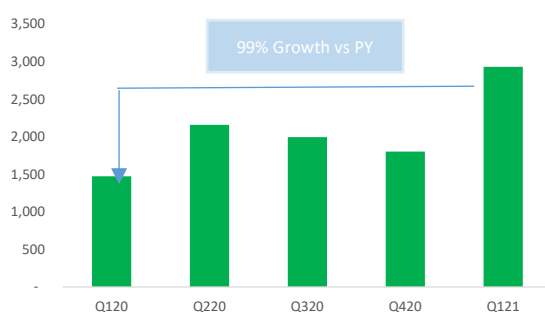
ASX Announcement

Highlights:

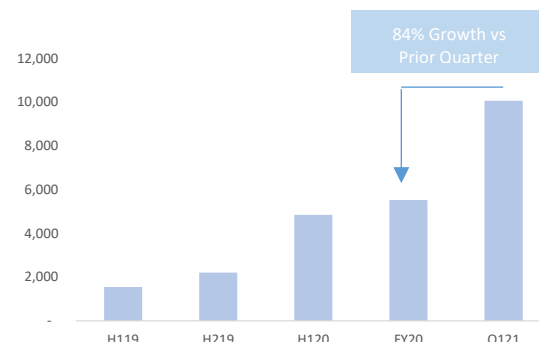
Q1 results reflect ongoing growth acceleration in both beer and spirits with wholesale growth at +99% and non-Victorian venues getting back to ~ 80% of pre COVID levels

- Completed a capital raise for \$16.1m ensuring the business is well funded and able to execute its stated growth strategy
- Continued to accelerate growth with group revenue growth of +133% vs Q1 FY20
- Wholesale revenue growth at +99% with Beer growing at 96.4% and Spirits at 117% vs Q1 FY20
- Strong performance of Spirits which will accelerate with the launch of Tasmanian Whisky Co which will have its first release of single malt Whisky in market in Q3 FY21
- Distribution growth continues to accelerate with total distribution points up 5,525 to 10,069 an increase of 84% in the quarter (i.e. vs the end of FY20)
- Appointment of Yolanda Uys into the Role of Marketing and Innovation Director reflecting upweighted investment in brands
- Execution of an agreement with Bevchain who will manage national cold chain storage and transport for Founders First brands
- Launch of a new Operating model for Founders First that simplifies the distribution model and offers improved customer service and lower cost across the group
- The Mighty Hunter Valley continues to demonstrate enormous potential despite the restrictions in place trading ~\$110k per week through the recent school holidays despite capacity restricted to 300 (vs 600 PAX license)
- Kangaroo Island Distillery shortlisted for International Gin Producer of the Year at the IWSC London to be announced on November 18th
- KIS Whisky release planned for Q3 FY21

Wholesale Revenue 100% basis



Unique Distribution Points



Commenting on the first quarter of FY21, Founders First Managing Director, Mark Haysman said: “A very strong start to the year with the completion of a significant capital raise in September which enables us to execute our growth strategy and invest in the business to fuel further growth. I am very pleased with our growth profile which is tracking ahead of expectations as the macro theme around craft continues to accelerate and retailers are responding well to our model which simplifies their business and in turn provides better outcomes for their customers”.

New distribution model:

Unlocking better service, lower cost and simplification for craft producers and retailers via a strategic partnership with Bevchain, the trusted beverage logistics partner of choice in Australia and New Zealand.



Key aspects of the new distribution model:

- Founders First has signed a national logistics partnership with Bevchain Pty Ltd
- The network unlocks the new Mighty Craft operating model which delivers “one order, one invoice and one delivery”
- The solution will result in lower cost and significantly improved customer service with Founders First now managing stock levels, inventory planning, invoicing, and accounts receivable
- In time, the platform has the potential to become an industry solution for the independent craft sector with Bevchain providing the physical Infrastructure and Founders First providing the Digital platform and access to craft producers

Venues Update:

Non-Victorian venues returning to ~ 80% while JR Dromana to open for business from Friday 30th October.

- Mighty Moonee Ponds to open its doors for the first time on Wednesday 4th November
- Launch of the Mighty Hunter Valley in October after upgrading the site, relaunching the food and drink offering and appointing award-winning hatted Chef Sean Townsend. Trading levels are ~80% pre COVID with strong momentum through the school holidays trading at ~ \$110K per week
- Jetty Road Dromana to open its doors again from Friday 6th November with a capacity of 20 people in doors and 50 people outdoors. Rotating two-hour slots will ensure trading is maximized
- Development of Jetty Road South Melbourne is currently deferred as a prudent measure given the risk around venues in Melbourne
- Foghorn Newcastle is operating at ~ 80% of capacity
- Staffing levels are being managed to ensure venues are profitable, however still off normal profitability levels

1Q FY2021 Investment activity:

Q1 investment activity picked up as the business looks to accelerate out the back of COVID

- Investment in Mighty Moonee Ponds and Mighty Hunter Valley to ensure growth trajectory continues
- Successful transition of production from 3rd party manufacturer to Jetty Road Dromana including commissioning of the canning line
- Further payment for Slipstream equity in line with the agreement in the prospectus
- Ongoing Investment in Digital Infrastructure to ensure further growth and reduction of cost across the business

Financial:

Pursuant to Listing Rule 4.7C2 the Company confirms that during the period since listing on the ASX on the 17th December 2019 expenditure is largely in line with the Use of Funds set out in the prospectus with a Summary shown in the Table below:

Use of Funds under the Prospectus		Use of Funds per Prospectus (\$M)	Actual use of Funds (\$M)
CAPEX for Jetty Road and Foghorn	1	1.4	1.0
Complete the acquisition of additional craft Breweries and Distilleries, including Ballistic, Slipstream and Sparkke Investment	2	4.3	5.3
Acquire Interests in, or accelerate the development of additional hospitality venues	3	5.9	5.5
Investment in Sales Collective, export capabilities, product and development and general corporate expenses	4	7.4	6.9
Additional Funds for Investment and Working Capital	5	8.6	1.4
Cost of the Offer	6	1.4	1.4
TOTAL		29.1	21.5

- 1) Jetty Road production expansion has been completed with new tanks and a canning line installed and commissioned over the last 6 months. Expenditure is in line with what was planned for in the Prospectus
- 2) Expenditure on acquisitions has included deferred payments for Slipstream (0.5m) and Ballistic (0.85m) along with a Convertible note in Sparkke (2m) and Jetty Road (1.2m) On top of this the acquisition of Kangaroo Island Distillery was not included in the prospectus (2m)
- 3) Development or acquisition of further Hospitality venues has included development of Moonee Ponds (2.5M) and Sauce in Cairns (0.5m) along with the acquisition of Potters Brewery in the Hunter Valley (2.5m) Jetty Road South Melbourne is currently on hold given the impact of COVID on venues in Victoria
- 4) Investment in the Sales Collective, product (marketing), export and general corporate expenses is tracking largely as planned. Included in this category is investment in Digital Infrastructure which has involved selection and roll out of a number of applications (Digital eCommerce platform, Enterprise Resource Planning software (ERP), payroll and time and attendance (T&A) system for Hospitality)
- 5) Additional funds for Working capital – remaining balance of \$7.6m as at 30th September 2020 (note the reported cash balance at 30th Sept of \$14.4m includes Tranche 1 of the Capital raising completed in September)

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

Founders First unaudited 1Q FY2021 cashflow statement in respect to the financial year ending 30 June 2021

Summarised cash flow; A\$'000	Current quarter \$A'000	Year to date (3 months) \$A'000	1QFY2021 commentary
Cashflows from Operating Activities			
Receipts from customers	3,975	3,975	Strong revenue growth up +133% vs Q1 FY21
Payments to suppliers & employees	(5,129)	(5,129)	Investment in organisational capability and business growth (Cost of Goods)
Other	(194)	(194)	Largely marketing & advertising costs
Net cashflow from / (used in) Operating Activities	(1,349)	(1,349)	
Cashflows from Investing Activities			
Payments made to acquire entities	(72)	(72)	
Payments made for PP&E	(1,592)	(1,592)	Moonee Ponds and Hunter Valley Development
Payments made for Investments	(700)	(700)	Investment in Slipstream per prospectus
Other	(92)	(92)	
Net cashflow from / (used in) Investing Activities	(2,456)	(2,456)	
Cash flows from financing activities			
Proceeds from issues of equity securities	4,713	4,713	Placement Tranche 1
Proceeds from Borrowings	2,500	2,500	Pure Asset Debt facility Tranche 1
Transaction costs / Other	(343)	(343)	Cost of Capital raise
Net cashflow from / (used in) Financing Activities	6,870	6,870	
Net increase / (decrease) in cash & cash equivalents	3,065	3,065	
Cash and cash equivalents at beginning of period	11,379	11,379	
Net cash from (used in) operating activities	(1,349)	(1,349)	
Net cash from / (used in) investing activities	(2,456)	(2,456)	
Net cash from / (used in) financing activities	6,870	6,870	
Cash and cash equivalents at end of period	14,444	14,444	

Note – as per ASX listing rules in the Appendix 4C under item 6.1 there is 602k worth of payments to related parties and their associates. Included in this amount are the cost of Directors who sit on the executive team (Mark Haysman, Stuart Morton, Daniel Wales) CFO (Andrew Syme) and consulting costs associated with Catalyst (an entity associated with Mark Haysman) and Humane Pty Ltd who provide transactional accounting services to Founders First and is an entity associated with John Hood.