



## MARLBOROUGH WINE ESTATES GROUP LIMITED (NXT: MWE) – NXT Market Announcement

**Date: 28 September 2017**

### **MWE Interim Update - restatement of a Key Operating Milestone**

The Marlborough Wines Estate Group Limited (MWE) board advises that, in accordance with the NXT Market Rules and following a review of its Key Operating Milestones (KOMs), it has restated one of its KOMs. MWE has restated the International Bottled Wine sales revenue KOM to be an International Wine Sales Revenue KOM. MWE is pleased to advise the target for the restated KOM for the financial year ending 30<sup>th</sup> June 2018 is \$2million.

### **Restated KOM**

MWE's board has determined that the KOM for International Bottled Wine sales revenue is restated to International Wine Sales Revenue. The restated KOM has been approved by NZX.

MWE's target for International Wine Sales Revenue for the financial year ending 30<sup>th</sup> June 2018 is \$2million.

MWE will provide an update against the targets for all KOMs (including the restated KOM) for the first quarter ending 30<sup>th</sup> September 2017 in its FY18 1<sup>st</sup> Quarter Business Update.

We include in this announcement further information about the restated KOM, including the reason for restating the KOM, how the restated KOM meets the NXT standard and the assumptions on which the target for the restated KOM for the financial year ending 30<sup>th</sup> June 2018 has been calculated.

### **KOMs and Full Year FY18 Targets**

For completeness, MWE sets out all of the KOMs and the full year targets for the financial year ending 30<sup>th</sup> June 2018.

MWE provided further commentary regarding the Gross Harvest, Bulk Grape Sales and New Zealand Bottled Wine sales revenue in its MWE Business Update dated 31 August 2017.

Key Operating Milestones	Full year FY18 Targets
Gross Harvest (tonnes)	1,600
Bulk Grape Sales (tonnes)	1,200
International Wine Sales Revenue	\$2,000,000
New Zealand Bottled Wine sales revenue	\$233,750

In the directors' opinion, MWE's Key Operating Milestones, taken together, address the most significant factors by which the performance of MWE's group's business should be assessed and monitored and will result in understandable reporting for investors and therefore meet the NXT standard.

Dated: 28/09/2017

Name of **director**: Danny Chan

Signature:



Name of **director**: Jack Zhong Yin

Signature:



### **Commentary regarding restated KOM**

As advised in the MWE Interim Update dated 30 August 2017 and the MWE Business Update dated 31 August 2017, MWE has restated the KOM because of an expected change in revenue composition for the current financial year for international wine sales.

In particular, as reported previously, there has been a softening in demand for premium wine in MWE's key export market of China, resulting in a corresponding decrease in MWE's sales of bottled wine internationally. MWE considers that demand is likely to remain soft in China for at least the current financial year.

At the same time there has been increased international interest in bulk wine produced by MWE. MWE expects that international bulk wine revenue will form a considerable portion of MWE's overseas wine sales revenue for at least the current financial year.

MWE has determined that the KOM should be restated to include the international bulk wine revenue stream. The International Wine Sales Revenue KOM will capture all revenue that is earned by MWE in connection with the sale of wine outside of New Zealand, including both bottled wine sales and bulk wine sales. The restated KOM provides MWE the opportunity to adapt its international exports (whether bottled wine or bulk wine) to meet current market conditions and demand, while maintaining its key strategies of seeking new opportunities in international markets and increasing bottled wine sales. MWE's view is that bulk wine sales can generate new opportunities for bottled wine sales given that it builds product familiarity and is a means of establishing new distribution channels and arrangements.

In addition, the restated KOM means that, when taken together, the KOMs reflect the full cycle from harvest (i.e. the Gross Harvest KOM) through to all material revenue streams (i.e. bulk grape sales, international wine sales and New Zealand bottled wine sales).

MWE has set the target for International Wine Sales Revenue for the financial year ending 30<sup>th</sup> June, 2018, based on the following assumptions:

- (a) MWE has reached an agreement to sell \$768,000 of bulk wine to a US importer;
- (b) MWE has reached an agreement to sell \$750,000 of bottled wine to a distributor in China; and
- (c) MWE expects the remainder of the target to be made up of additional bottled wine sales to its current international markets and through the development of new international markets. This is based on MWE's previous sales history and assessment of current market conditions.

MWE considers that these assumptions also illustrate mitigation of a key business risk. MWE's largest export market is China however with bulk wine sales to new markets such as the United States, MWE's reliance on the Chinese market eases. Reducing this market concentration should make MWE's revenues more resilient to any future softening in any single market.

## FURTHER INFORMATION REGARDING KOMS

All NXT companies are required to set Key Operating Milestones (KOMs) and targets and must report against those targets on an ongoing quarterly basis. A KOM is a metric for measuring and reporting on the performance of MWE. The KOMs must meet the NXT standard. This means that the KOMs when taken together, address the most significant factors by which the performance of MWE's business should be assessed and monitored and will result in understandable reporting for investors.

### Future Events

Event	Date
Annual Report Due	30/09/2017
FY18 1st Quarter Business Update Due	30/10/2017
Annual Meeting Scheduled	December 2017

**ENDS**

### Authority for this announcement

Name of senior manager or director authorised to make this announcement: Catherine Ma

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Marlborough Wine Estates Group Limited's shares can be traded on the NXT Market. Marlborough Wine Estates Group Limited is required to disclose information under the NXT Market Rules. Information about the NXT Market and the NXT company is available here [www.nxt.co.nz](http://www.nxt.co.nz).