

15 October 2021

ASX Announcement

Digital Wine Ventures accelerates its penetration of the \$17 billion Australian wholesale liquor market through the acquisition of Kaddy

"The combination of a world class B2B marketplace with a tech-enabled national logistics platform will create an unrivalled value proposition that's relevant to every liquor licence holder in the country."

HIGHLIGHTS:

- **Digital Wine Ventures Limited (ASX:DW8) ("Company")** has signed a binding term sheet to (subject to the satisfaction of certain conditions) acquire 100% of **Kaddy Australia Pty Limited ("Kaddy")**, Australia's leading B2B beverage marketplace enabling discovery, ordering and payments (**Proposed Transaction**).
- The consideration consists of \$6.75m cash and approximately 484.9 million DW8 shares (**Consideration Shares**).
- DW8 believes that the acquisition is a transformational opportunity to bring together two high-growth technology businesses to create the market leading online marketplace servicing Australia's \$17 billion wholesale liquor market¹.
- Key drivers for the acquisition of Kaddy include:
 - Brings together the two key components required to create a dominant marketplace: Kaddy's front-end marketplace and **WINEDEPOT's** logistics platform;
 - Reduces time required for the combined B2B marketplace to reach scale and profitability while reinforcing the competitive moat for both businesses;
 - Brings together a highly experienced and capable team that's difficult to replicate;
 - Relative ease in integrating the businesses and technology platforms;
 - Material expansion of DW8's addressable market;
 - Diversification of market segments serviced, in particular adding the rapidly growing craft beer, spirits, cider and seltzer markets to **WINEDEPOT's** wine focus;
 - Access to unique products not currently available via mainstream distribution;
 - Strategic, revenue and cost synergies including:
 - increased network effects;
 - improved customer lifetime value;
 - reduced marketing & customer acquisition costs;
 - up & cross-sell opportunities; and
 - deeper supplier and customer engagement, driving revenue enhancement.
 - Limited overlap between the two business' suppliers, buyers and product listings;
 - Opportunity to fast-track DW8's international expansion plans and penetration into new markets and verticals.
- **DW8** has initiated a **\$14.75m** capital raise to fund the acquisition and provide expansion capital for Kaddy

¹ Company estimate based on a. 60% of the \$22.1 billion Total Retail Liquor Market cost of goods (Retail Drinks Australia, Category Insights - Liquor projections for FY21 and beyond presented by IRI - May 2021); and b. 25% of the \$15.1 billion on-premise cost of goods, the difference between the Total Retail Liquor Market and Total Liquor Market
<https://www.statista.com/outlook/cmo/alcoholic-drinks/australia>

- **DW8** has received commitments for **\$12.75 million via a share placement**, with the balance to be funded by SPP giving all DW8 eligible shareholders the ability to participate on the same terms.

Digital Wine Ventures Limited is pleased to announce that it has entered into a binding term sheet to acquire 100% of Kaddy Australia Pty Limited ("**Kaddy**"), a Sydney-based technology company which operates Australia's leading B2B beverage marketplace. The acquisition brings together two rapidly growing technology companies.

Established in September 2019 by founders Mike Abbott and Rich Coombes ("**Kaddy Founders**"), Kaddy has become the leading wholesale beverage marketplace in Australia for discovery, ordering and payments.

Kaddy has quickly grown its network of users to over 1,500+ registered wholesale buyers and 400+ suppliers. Kaddy has also leveraged a strong niche in emerging categories such as craft beer, spirits, seltzer and cider, segments that are strongly complementary to DW8's core business, **WINEDEPOT**.

Despite the strong growth and adoption of the Kaddy platform, the company does not currently have its own logistics solution and is reliant on third party fulfilment by its marketplace suppliers. Bringing **WINEDEPOT**'s tech-enabled national logistics solution and Kaddy's market leading technology platform in the B2B beverage market will unlock significant value for its users and support the rapid scale of the merged businesses to leverage the strong network effects of a combined user ecosystem.

DW8 CEO Dean Taylor says, "The combination of a world class B2B marketplace with a tech-enabled national logistics platform will create an unrivaled value proposition that's relevant to every liquor licence holder in the country. Kaddy strongly complements our technology ecosystem and fast-tracks our ability to develop a stronghold in Australia's \$17 billion wholesale liquor market."

Kaddy co-founder Mike Abbott, who will join the DW8 Board as an Executive Director says, "We're pumped to be joining forces with the DW8 team to significantly scale our combined offerings and transform the user experience, particularly in wholesale beverages which is highly fragmented and ripe for digital disruption".

DW8 has outlined a phased integration plan which will see the two tech companies merge their B2B marketplaces and capitalise on significant strategic, revenue and cost synergies which are expected to reduce the time required to reach scale and profitability. These include increased network effects; up & cross sell opportunities; reduced marketing & customer acquisition costs; improved customer lifetime value and deeper engagement.

Dean Taylor adds, "Another key appeal for the transaction is that there's very little overlap between the two platforms' user bases, with **WINEDEPOT** predominantly servicing the wine industry and Kaddy being the go-to solution for the rapidly growing craft beer, spirits, cider and seltzer categories. The depth, variety and diversity of our combined product range will be impressive, with a strong differentiating focus on craft, independent, boutique and emerging brands not currently available through mainstream distribution."

"The technology deployed by each company can be easily and quickly integrated to create an unrivalled offering that unlocks synergies that benefit suppliers, retailers and distributors alike. This will allow us to start releasing value for both the company, shareholders and customers within a few months as well as accelerate our momentum as we integrate further.

“Both teams are predominantly Sydney based, which makes the process of bringing them together fairly easy. The combined talent pool that we’ll end up with creates a formidable team with deep domain experience in our target markets that is near impossible to replicate.

“Bringing the two businesses together also dramatically expands the platform’s addressable market, by making it a multi-beverage offering with applications not just here in Australia but across the entire global alcoholic beverage market.

“Up until now we have been focused on creating an end-to-end solution for the wine industry. This acquisition opens our platform up to users in all the other alcohol market segments.

“By teaming up with Kaddy, we not only accelerate our penetration into the Australian wholesale liquor market by at least two years but should also be able to bring forward our international expansion plans. As both companies expand, we’ll inevitably find ourselves competing for the same customer and supplier base. This transaction negates that outcome while releasing synergies that can be shared with everyone using our combined platform.”

The transaction is subject to DW8 shareholder approval at its AGM, which is expected to be held in the second half of November. Once approved and subject to completion, Kaddy shareholders will receive total consideration of \$6.75 million in cash and 484,854,896 DW8 shares, the majority of which are subject to vesting and escrow conditions.

DW8 intends to fund the acquisition, its associated costs and Kaddy’s marketplace expansion via a share placement to institutional and sophisticated investors and a Share Purchase Plan (SPP) available to the Company’s eligible shareholders on the same terms. The offers under the SPP are intended to open on or around 18 October 2021 and DW8 will provide further updates to the market in due course.

Individual investors of the KTM Ventures Fund and Spring Capital, two of the major independent shareholders in Kaddy, have invested in the DW8 Placement. Martin Rogers, CIO of KTM Ventures Fund, has also personally invested in the Placement.

Mr Rogers said: “There are considerable synergies in this acquisition for DW8 to be reaped from the integration of the Kaddy platform which has already achieved strong industry adoption and feedback. Combined, DW8 and Kaddy are poised to accelerate the disruption of the digital commerce of ordering, payments and logistics in the wholesale alcohol industry. It’s a true 1+1 = 3 transaction.”

A number of strategic investors will also join the DW8 share register as part of capital raise and acquisition including John Szangolies, founder of the Urban Purveyor Group and the founders of Four Pillars distillery.

Placement Details

The Company is pleased to advise that it has received firm commitments to raise gross proceeds of \$12,750,000 via a share placement to institutional and sophisticated investors. The share placement was strongly supported and will see several new institutional shareholders join the Company’s register.

The share placement will comprise the issue of 225,446,430 new fully paid ordinary shares (“**Placement Shares**”) at an issue price of \$0.056 per share (“**Placement**”). Completion of the Placement is expected to occur on or around 25 October 2021.

DW8's directors have committed to subscribe for an aggregate of 2,232,142 new fully paid ordinary shares ("**Director Shares**") at an issue price of \$0.056 per share to contribute \$124,999.95 in the Placement, subject to the receipt of prior shareholder approval.

53,363,270 of the Placement Shares have been agreed to be issued pursuant to the Company's 10% capacity under Listing Rule 7.1A. The remaining 172,083,160 Placement Shares have been agreed to be issued pursuant to the Company's 15% capacity under Listing Rule 7.1. The 2,232,142 Director Shares will be issued subject to the receipt of prior shareholder approval to be sought at the Annual General Meeting to be held on a date yet to be announced.

The issue price represents a 15.2% discount to the last traded share price of 6.6 cents, 17.3% to the 5-day volume weighted average price, 14.9% discount to the 15-day volume weighted average share price, and 11.6% discount to the 30-day volume weighted average share price.

Blue Ocean Equities Pty Limited has been appointed to act as Lead Manager to the Share Placement. A 6% management and selling fee of the total proceeds raised under the Placement is payable to the Lead Manager and 12.75 million unquoted options with an expiry date that is 3 years from date of issue and an exercise price of \$0.084. The unquoted Lead Manager options will be issued using the Company's 15% capacity under Listing Rule 7.1.

Funds raised under the Share Placement will be applied as follows:

- \$6.75m to fund the cash consideration for the acquisition of Kaddy;
- \$5.3m for expansion capital for the Kaddy marketplace; and
- \$0.70m in capital raising costs.

Funds raised under the Share Purchase Plan will be applied towards extra sales & marketing activities and general working capital.

Material Terms

Completion

The expected date of completion for the Proposed Transaction is on or around 30 November 2021 ("**Completion**").

Consideration

The vendors of Kaddy will receive, in proportions agreed as between them, an aggregate of \$6.75 million in cash and the Consideration Shares as consideration under the Proposed Transaction.

The terms on which the Consideration Shares are to be issued depend upon whether the seller is a:

- **Minor Independent Shareholder:** a seller who is a shareholder of Kaddy owning no more than 2.5% of Kaddy shares on issue immediately before Completion and not an employee of Kaddy;
- **Major Independent Shareholder:** a seller who is a shareholder of Kaddy owning more than 2.5% of Kaddy shares on issue immediately before Completion and not an employee of Kaddy;
- **Kaddy Founder:** Mike Abbott and Richard Coombs (or an entity associated with those individuals); or
- **Employee Shareholder:** a seller who is an employee of Kaddy, but is not a Kaddy Founder.

The Consideration Shares to be issued to:

- Minor Independent Shareholders will vest fully and be unencumbered from Completion;

- Major Independent Shareholders, will:
 - vest fully on Completion of the Proposed Transaction; and
 - be fully escrowed for six months, and progressively released from escrow in two tranches as to 50% each on the 6 and 12 month anniversaries of Completion (subject to approval, the second 50% tranche be released before the 12 month anniversary of Completion but no earlier than the 6 month anniversary of Completion);
- Kaddy Founders will be treated as follows:
 - 50% of the shares will vest immediately on Completion;
 - the remaining 50% of the shares will vest progressively in four equal 6-month increments, commencing on the 6-month anniversary of Completion, subject to:
 - the respective Kaddy Founder having not left employment with DW8 due to fraud, willful serious misconduct, conviction of an indictable criminal offence, or resignation other than for physical or mental capacity (“**Bad Leaver**”); and
 - the satisfaction of certain revenue targets in respect of the Kaddy business after Completion, as noted in the following table:

Tranche	% of total equity consideration paid to Kaddy Founders	1 st condition - Not a Bad Leaver*	2 nd condition - Achieve a total minimum GMV in the preceding 12 months
1	12.5%	6 months after Completion	\$25 million
2	12.5%	12 months after Completion	\$50 million
3	12.5%	18 months after Completion	\$75 million
4	12.5%	24 months after Completion	\$100 million

- no sale of Consideration Shares will be permitted in the first 6 months after Completion, and thereafter, each Kaddy Founder shall be permitted to sell a maximum of 25% of their total holding (as at Completion) per six-month period, until the 24-month anniversary of Completion, after which time there will be no restrictions on sale under the terms of issue.
- Employee Shareholders will be treated as follows:

- Kaddy shall advise DW8 which Consideration Shares should vest immediately at Completion, which correlates to the vesting schedule with respect to their accelerated ESOP options;
- the remaining portion of Consideration Shares will vest progressively in four equal 6-month increments, commencing at the 6-month anniversary of Completion, subject to:
 - the respective Employee Shareholders having not left employment with DW8 as a Bad Leaver;
 - the satisfaction of certain revenue targets in respect of the Kaddy business after Completion, as per the following table:

Tranche	% of total equity consideration paid to Kaddy Employee Shareholders	1 st condition - Maintain employment at the relevant anniversary of Completion	2 nd condition - Achieve a total minimum GMV in the preceding 12 months
1	12.5%	6 months	\$25 million
2	12.5%	12 months	\$50 million
3	12.5%	18 months	\$75 million
4	12.5%	24 months	\$100 million

- no sale of Consideration Shares will be permitted in the first 6 months after Completion, and thereafter, each Employee Shareholder shall be permitted to sell a maximum of 25% of their total holding (as at Completion) per six-month period, until the 24-month anniversary of Completion, after which time there will be no restrictions on sale under the terms of issue.

On Completion, the Kaddy Founders and Employee Shareholders will each enter into voluntary escrow deeds with the Company that document the escrow terms applicable to their Consideration Shares. To the extent that any Consideration Shares issued to the Kaddy Founders and the Employee Shareholders do not satisfy the vesting requirements because the relevant Kaddy Founder or Employee Shareholder is a Bad Leaver, those unvested Consideration Shares will (unless otherwise determined by DW8) be cancelled for nil consideration.

Performance securities

The Kaddy Founders and certain nominated senior employees of Kaddy (“**Nominated Executives**”) will be also offered performance rights in DW8. The performance rights will:

- in respect of the Kaddy Founders, amount to up to 3% in aggregate of DW8's fully-diluted share capital as at Completion (to be allocated in agreed proportions), and be subject to the satisfaction of certain financial targets, as noted in the table below, in respect of the Kaddy business after Completion; and

Tranche	% of fully diluted share capital of DW8 at Completion	1 st condition - Achieve a total minimum GMV in the preceding 12 months	2 nd condition - Achieve a total minimum TR in the preceding 12 months
1	1%	\$100 million	\$5 million
2	1%	\$200 million	\$10 million
3	1%	\$300 million	\$15 million

- in respect of the Nominated Executives, amount to 1.5% in aggregate of DW8's fully-diluted share capital as at Completion (to be allocated in agreed proportions) in three equal tranches, and be subject to the satisfaction of certain financial targets, as noted below. in respect of the Kaddy business after Completion.

Tranche	% of fully diluted share capital of DW8 at Completion	1 st condition - Achieve a total minimum GMV in the preceding 12 months	2 nd condition - Achieve a total minimum TR in the preceding 12 months
1	1%	\$100 million	\$5 million
2	1%	\$200 million	\$10 million
3	1%	\$300 million	\$15 million

Conditions Precedent

Material conditions precedent remaining include:

- The Kaddy shareholders and DW8 finalising and entering into definitive documents to give effect to the Proposed Transaction;

- DW8 completing the Placement and SPP and obtaining DW8 shareholder approval required to effect the Proposed Transaction;
- The exercise, conversion, cancellation or repayment of all convertible securities on issue in Kaddy (including options and convertible notes);
- There being no material unremedied breach of the transaction documents by Kaddy;
- None of the warranties given in respect of Kaddy is, or has become, materially false, misleading or incorrect; and
- No material adverse change has occurred in respect of either DW8 or Kaddy.

All other material conditions precedent have been satisfied.

Financial, legal and technical due diligence on Kaddy has been completed by the Company and external advisors appointed by the Company.

Pre-completion convertible note

If requested by Kaddy before Completion, DW8 will provide up to \$1,000,000 in cash funding to Kaddy, by way of a convertible note. The convertible notes will:

- comprise two separate facilities, each to a value of up to \$500,000;
- either:
 - be repaid as part of any purchase price adjustments at Completion of the Proposed Transaction; or
 - should the Proposed Transaction not complete, convert into ordinary shares or other instruments in Kaddy as follows:
 - the first \$500,000 will convert into ordinary shares in Kaddy at a pre-agreed, pre-conversion valuation in accordance with the following formula:

$$NS = \frac{\text{Principal Outstanding}}{50,000,000} \times TS$$

where:

NS means the total number of ordinary shares in Kaddy to be issued upon conversion;

TS means the total number of securities in Kaddy on issue immediately prior to the conversion, including both shares and options (on a fully-diluted basis);

- any funds above \$500,000 will convert in accordance with the following formula:

where:

$$NS = \frac{\text{Principal Outstanding}}{LEV} \times TS$$

NS means the total number of ordinary shares in Kaddy to be issued upon conversion;

TS means the total number of securities in Kaddy on issue immediately prior to the conversion, including both shares and options (on a fully-diluted basis); and

LEV means the valuation of Kaddy based on the average amount per share paid by investors in a liquidity event; and

- as an alternative to converting any funds above \$500,000, DW8 may apply the balance of any outstanding amount under the convertible notes and participate in a Kaddy liquidity event with more favourable terms, on the same terms and conditions as those offered under the liquidity event; and
- Include other terms considered standard for an agreement of this nature.

Engagement of Kaddy Founders

Kaddy co-founder, Mike Abbott will join **WINEDEPOT**'s senior executive team as Head of Platforms. He will also become an executive director on the DW8 board.

The Key Terms of his Senior Executive Employment Agreement are as follows:

- Base Salary of \$225,000 exclusive of superannuation
- Three-month notice period for termination by either party
- Short term incentives at the Company's discretion
- Long term incentives released as part of the Company's ESIP program at the Company's discretion
- Other terms considered standard for an agreement of this nature

Kaddy co-founder, Rich Coombes will join **WINEDEPOT**'s senior executive team as Commercial Director. The Key Terms of his Senior Executive Employment Agreement are as follows:

- Base Salary of \$175,000 exclusive of superannuation
- Three-month notice period for termination by either party
- Short term incentives at the Company's discretion
- Long term incentives released as part of the Company's ESIP program at the Company's discretion
- Other terms considered standard for an agreement of this nature

END

This ASX announcement was approved and authorised for release by the Board of Director

WINEDEPOT (winedepot.com)

is a tech enabled logistics platform designed to streamline wine & beverage distribution. It consists of five key components:

- **MARKET** – direct-to-trade marketplace
- **DIRECT** – direct-to-consumer sales manager
- **CONNECT** – order, inventory & technology integration manager
- **LIQUIDITY** – payment management solution
- **LOGISTICS** – fulfillment solution

Revenue is generated via:

- **Trading Fees** (% of the wholesale transaction value)
- **Sales Commissions** (% of the retail transactions generated)
- **Connect Platform Fees** (monthly subscriptions, listing and integration fees)
- **Liquidity Fees** (% of the transaction value funded)
- **Logistics Fees** (storage, picking, packing, handling & freight)

WINEDEPOT plans to solidify its presence in Australasia before expanding the platform into other key markets such as the USA, UK, Europe, Canada, Hong Kong and Singapore.

Digital Wine Ventures (ASX DW8)

is an Australian Publicly listed company that aims to identify and invest in early-stage technology-driven ventures that have the potential to disrupt and or digitally transform segments within the global beverage market.

To keep abreast of DW8's latest developments please visit www.digitalwine.ventures/blog

To view recent media coverage please visit:

- <https://www.digitalwine.ventures/media-coverage.php>
- <https://winedepot.com/media-coverage/>

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Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Digital Wine Ventures Limited's planned operations and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should", and similar expressions are forward-looking statements. Although Digital Wine Ventures Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.