

1. With Angostura Holdings Limited (AHL), recently commissioning a Water Resource Recovery and Anaerobic Digester (WRRAD) facility, how much is this project expected to improve gross margin by, given that gross margin was 46% in your recently released financial statements?

Gross Margins are expected to increase by 1% by year end as this facility will allow for increased and stabilized production in the next three to four months. The delay in commissioning means that the company would have incurred higher cost of production of alcohol (due to delays in completing the Water Resource Recovery and Anaerobic Digester facility caused by the onset of COVID-19) for more than half of the year and is now seeking to lower these costs by increasing production to absorb similar yet closely monitored overheads in the last three to four months.

2. Can you explain how the newly constructed WRRAD facility will reduce production cost and increase gross margin?

By improving our ability to treat the waste generated in the alcohol production process, we also increase our capacity to produce alcohol. Therefore, with increased production volumes, the plant is more efficiently utilized and the cost of production per litre of alcohol is reduced. All things remaining equal, gross profit margins will then increase.

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3. How much are you expecting the sale of the Cocoa bitters to improve your total revenue?

While we will not disclose specifics on projections, we consider Cocoa Bitters to be a marked contributor to our bottom line. In fact, we have penetrated the U.S. market more with this product and it is available for sale in over 1,200 Walmart stores with the potential for further growth. Our bar trade worldwide is asking for this new product which will enhance the offerings of the Company and see us further penetrate markets like Europe, Asia, South Africa, Australia and, of course, the United Kingdom.

4. Will the Cocoa bitters be exported into the Canadian market as well?

Yes, the Canadian market will be receiving Cocoa Bitters. We are working with retailers and the liquor boards to ensure the brand is readily available and expecting listing finalization by Q3 2020.



5. The Asia-Pacific market for alcoholic beverages is forecasted to be the global driver over the next couple of years. Any plans for that region?

Asia remains a key target with a growing cocktail culture and we are seeing steady growth in the markets we are in and we continue to expand our regional footprint but remain focused on ensuring that we have the right partners that hold our values.

6. For 3 months ended June 30th, 2020, there was a slight decline in revenue when compared to the previous year, what do you put this decline down to? Is there a slowing of demand?

The decline in revenue for the 3 months ending June 30, 2020 was \$3.7m or 1.8%. We have not seen a drop in demand of our bitters or our local rum business but rather a shift in purchasing partners as consumers discover the home cocktail and maximise and access our brands online and in retail outlets. Distribution partners around the world reduced inventories in response but we are seeing a sharp recovery as markets restock and the on-trade navigates a new world in this world of COVID-19.

7. Can you explain how the “Bulk” segment of your business works?

The Bulk segment comprises the sale of bulk alcohol/current distillate, such as that sold to producers of hand sanitizer for instance, sale of bulk bitters, sale of blended rum in bulk (unbranded) quantities for customers who require a blend, and the sale of co-packaged rum products which is blended, and packaged by us for our customers.

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8. Can you clarify what the “other” segment of your business entails?

Other segment includes agency products, sold by our retail business Solera, locally manufactured wines, including the Correia’s Hard Wine brand, and other locally manufactured alcoholic beverages, including Mokatika and Blu Vodka. It also includes Amaro, our herbal liqueur derived from our iconic Bitters.

9. Do you expect that the shift in the demand for your products will continue into the future? And do you see that shift as a positive for your company?

One thing we have learnt from COVID-19 is that we need to be prepared for constant change and must be ready to adapt and to maximize the varying opportunities that will always arise with change. It is expected that the shift in demand will continue and consumers will adapt to the ‘new way of life’ and change when and where they consume our products. Demand will continue to grow if we continue to adapt and innovate, so yes, we have a very positive outlook for the company. We believe strongly that this pandemic will be brought under control and that there will be a return to social mingling, bars and night life. The trends of “in house” consumption will diminish as the various social outlets reopen.

10. Do you have any earnings projections for the current financial year?

We do not disclose projections in detail however, we continue to explore new opportunities for growth while working with the conditions imposed by the COVID-19 pandemic and have focused our plans and strategies to achieve more positive results to the bottom line.