

Press release: Vodka O (ASM Liquor)

Published: Jul 2007

THE STORY OF O

Meet the dynamite brand that's upstaging liquor's big league

Sydney-based ASM Liquor is a young, fast-moving company with a delectable spirits range and a daredevil mission ahead.

Having achieved remarkable success with a growing portfolio of brands, including pack leader Vodka O, the business is poised to become a serious market presence if it can continue to navigate a minefield of tax levies applied to the spirits industry, and implement a better corporate governance system.

And ASM's founders won't compromise on the brand's three founding promises, either: to deliver a premium drop that's affordable and hip enough to flaunt anywhere – billionaire's pad or boho cocktail dive.

The company was started in 2003 ago by communications mavens Ben Anderson, now 29, and Simon Sibia, aged in his thirties.

Both had considerable experience in their fields – Anderson co-founded the guerrilla ad agency Maverick Communications – but were keen for a new entrepreneurial challenge.

Their business idea emerged from a sense of disbelief at the meagre value available in liquor stores.

"Consumers really have very little choice and pay a premium for poor-quality product. Our brands are sexy in style and price tag, but they're also better quality than many commercially advertised brands in the \$70 to \$80 range," says Anderson

Anderson and Sibia felt the global spirits industry was oligarchical and outdated, with just three or four corporate giants controlling hundreds of top-name brands. Most are expensive but many make for less-than-smooth drinking.

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A chance conversation with a chemical engineer revealed to Anderson the array of impurities found in many big-name spirits.

Teaming up with their talented friend, the fledgling ASM group tested liquors from around the world before perfecting – and patenting – a novel combination of distillation and carbon-filtering to eliminate dozens of nasties, including methanol and fusel oil, from their spirits.

Their launch product, Vodka O, debuted in 2003 at a single bottle shop, Elizabeth Bay Cellars in Sydney. Anderson delivered his initial runs of 30 cases by motor scooter and stood in the store each Friday night, convincing customers to sample the smooth, new brand.

Its crisp nose and light, dry flavour taste reveals an ultra-clean composition: Vodka O is Australian government-certified as being free of residual pesticides, fungicides and other chemicals. The stylishly packaged brew went on to make waves among a cool inner-city set before becoming a formidable shelf presence, stocked by some 800 retailers across Australia.

The upstart firm has since built on Vodka O's success, with the release in 2007 of four more slinky tipples: Tequila Blu, made from 100-percent pure agave, the dark and light Caribbean rums Kinky Nero and Kinky Lux, and the smooth Jinn Dry gin. A scotch and bourbon are set for release in 2008.

Today their brands are stocked by leading retailers including Vintage Cellars and BWS, and served at scene-setting bars, pubs and restaurants such as Jimmy Liks in Sydney and St Jerome's (famed for the eponymous Laneway music festival) in Melbourne.

James Brandwood, head bartender at Jimmy Liks and a staunch advocate of ASM's brands, says: "I use Vodka O as first pour in Jimmy Liks as it's extremely smooth. It's versatile and works very well in a variety of cocktails. As a brand, Vodka O also fits well with the Jimmy Liks clientele.

ASM Liquor has also been approached by distributors in the USA, UK, South Africa and Europe.

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Staying committed

But it hasn't all been easy going.

While Vodka O was fast winning recognition as a premium drop, barely a year later Anderson and Sibia realised they'd have to manufacture in bulk and bottle offshore if they were to uphold quality and minimise costs

The pair spent most of 2005 searching for the right bottle manufacturer in China. Their time-consuming and frustrating quest frequently came up against dense language barriers, and outrageous demands to transfer funds to businesses with no street address. Printing and production errors were rife.

An all-time low came when Anderson and Sibia were fleeced \$80,000 by a false bottle company rep during a trip to Guangzhou, making them even more determined to succeed.

Anderson recalls saying to Sibia at the time: "Mate, this is the only country we'll get such a low unit cost. We either work out how to do business with the Chinese, or we shut shop now."

Upwards and onwards

Finally, they discovered a reliable manufacturer and early this year the distinctive, slender bottles for ASM's portfolio of brands arrived at the distillery in Victoria: barcodes, labels, boxes and lids all perfect.

But with orders flowing in and their sales team growing, ASM Liquor had reached a critical stage of management, especially concerning cash-flow.

Australian excise duty on spirits is a steep \$20 per bottle, and 90 percent of taxes are payable to the government as soon as stock is moved – regardless of when the manufacturer is paid by its customers.

ASM Liquor had to restructure its corporate governance system, and in February 2007 took on the shrewd guidance of independent director John

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Schaap. The former CEO of American Express's Australasian operations and one-time managing director of entertainment group Burswood Limited, Schaap went immediately to work, creating an investment memorandum and approaching stockbroking firm Patersons Securities to raise equity.

At ASM's first capital-raising, the persuasive simplicity of its business goals won several large private equity investors, from stockbroking heavyweight Ray Shorrocks to retail analyst Russell Wright and a number of wealthy hoteliers.

Those goals double as ASM's business mantra: "One, our products are better quality than our competitors'," Anderson says. "Two they're better priced and three, they're more stylishly packaged."

ASM Liquor is equally proud of its small supporters and identifies strongly with up-and-coming talents rather than mainstream names. In its cash-strapped early days, student designers entered a competition to create artwork for the business, and more recently, several junior staffers asked to invest modest yet meaningful sums in the growing company.

A second-stage capital-raising is likely and ASM Liquor is on track to be cash-flow positive by mid-2008, cementing its place in the spirits industry.

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The ASM Liquor product range
'Spirits for our generation'

VODKA O:

Made from Australia's purest water, this delectably clean, dry vodka was created with ASM Liquor's original, patented evaporative and

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charcoal-filtering process. Vodka O is free from residual herbicides, pesticides or fungicides – so it's practically organic.

JINN DRY:

Jinn Dry gin has a clean, crisp taste and is subtly infused with wild juniper, a hint of Valencia orange and ASM's secret spice. Jinn Dry gin also is put through a unique seven-stage evaporative refining process.

TEQUILA BLU:

Tequila Blu is an exceptionally smooth premium tequila made in Jalisco state, Mexico. Distilled from the blue agave plant, which grows for up to 10 years, Tequila Blu is 100-percent pure agave and certified by the Mexican government authority CRT, regulator of tequila sales, production and export. 'Reposado' means rested, and Tequila Blu is gently aged in charred oak barrels for up to six months to achieve a distinctively rich, smooth and smoky taste.

KINKY LUX:

Kinky Lux is a light-bodied premium white rum, made from the finest hand-selected Caribbean sugar cane. Aged in oak barrels for at least two years, it's smooth, mellow and refreshing all at once. Perfect straight up, Kinky Lux also mixes well with a range of standard mixers and cocktails.

KINKY NERO:

Kinky Nero is a rich, dark premium Caribbean rum. Barrel-aged for at least two years, it has subtle undertones of cocoa, vanilla and raisins. This sensuous dark rum can be enjoyed straight or added to enhance flavour in a variety of standard mixers and cocktails.

THE NAKED SCOT

The Naked Scot is a premium blended highland scotch that's rich in flavour yet boasts a long-lasting and peaty single-malt character. The Naked Scot is aged for three years.

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