



**THE FOOD  
REVOLUTION  
GROUP**

**ASX Announcement**

**29 November 2016**

## **FOD to acquire Healthy Warrior and Future Generation Foods**

### **Highlights:**

- FOD has entered into agreements to acquire fast growing health food businesses Healthy Warrior and Future Generation Foods (Healthy Warrior) for approximately \$48 million in cash and shares.
- Healthy Warrior and Future Generation Foods own and distribute branded functional and health food products including Planet Food, Systemax and The Bar Counter through national retailers Coles and Woolworths.
- Following the acquisitions, FOD will be one of Australia's leading functional food businesses with more than 200 products available in more than 2,000 outlets through major grocery and convenience retailers across Australia.
- FOD believes the acquisition will:
  - Substantially increase the Company's exposure to the high growth functional health food category;
  - provide an additional platform for growth including export opportunities to the UK, US and China;
  - result in enhanced scale and capability for the Company's operations;
  - result in the Company having a diversified and balanced portfolio of functional food and beverage brands; and
  - expand the Company's product range in existing retail outlets.
- FOD proposes to conduct a placement to raise up to \$35 million to fund the cash component of the transaction and provide additional working capital. It is intended that the placement will be fully underwritten by lead manager Bell Potter Securities Limited.
- The Placement is expected to raise funds from institutional investors who will bring strength to the Company's share register and improve liquidity in trading of the Company's shares.
- The acquisitions are subject to certain conditions precedent being satisfied, including FOD completing the placement and shareholder approval being obtained (among other conditions). Completion is expected to occur during January 2017.
- The acquisition will result in Matthew Bailey (and related parties) having voting power in FOD of approximately 28% post transaction assuming the placement is conducted at the FOD closing price on 28 November 2016.
- The earnings contributed by Healthy Warrior after the transaction will not count towards the conversion milestones that are set in the terms of issue of the Performance Shares and Performance Rights in the Company which are currently on issue.

The Food Revolution Group Limited (ASX: FOD) (“FOD” or the “Company”) is pleased to announce it has entered share sale agreements to acquire all issued capital in Healthy Warrior Pty Ltd (“Healthy Warrior”) and Future Generation Foods Pty Ltd (“Future Generation Foods”) (the “Transaction”) for approximately \$48 million. Healthy Warrior and Future Generation Foods, founded by FOD Non-Executive Director Matthew Bailey, are companies in the functional food and beverage industry. Healthy Warrior seeks to broaden consumer appeal of categories that require product and brand innovation. Brands include Planet Food, The Bar Counter and I Quit Sugar which are available in major Australian retailers.

Commenting on the Transaction, FOD Chairman Graham Duff said:

*“This is a transformative and company-defining acquisition for The Food Revolution Group and its shareholders. Both Healthy Warrior and Food Revolution are leveraged to the health food and healthy living consumer trend, where considerable growth is anticipated over the coming years. The board and senior management are excited about the next phase of the Company’s evolution and growth in the health food sector.”*

Through the acquisition of Healthy Warrior, FOD will substantially increase its exposure to the high growth functional health food category. Furthermore, it will enable the Company to broaden and strengthen its relationships with both suppliers and retailers, and create cross-selling opportunities. Healthy Warrior aims to expand distribution channels and global markets, particularly in the UK, Singapore and the USA.

FOD’s CEO Bill Nikolovski said:

*“FOD wants to become one of Australia’s leading and most innovative functional food businesses and this acquisition is an important step. It will bring together our existing capacity as a successful food and beverage producer with FOD Director Matt Bailey’s knowledge and experience as a food marketing and branding expert. The combination of our assets will give us a broad platform on which we can build strong future growth. The acquisition allows us to enter the healthy snacking, healthy food and supplement categories.”*

Healthy Warrior and Future Generation Foods founder and sole director Matthew Bailey said:

*“We are aiming to create a company that is dynamic, innovative and focused on developing customer-centric food solutions for the health and functional food market. Combining with FOD will give Healthy Warrior and Future Generation Foods the capacity to grow and capitalise on the projected growth in this market.”*

Mr Bailey will become a full-time executive director of FOD from completion of the Transaction.



*Some of Healthy Warrior and Future Generation Foods' brands and products.*

## Transaction Overview

Consideration for the Transaction will be cash and the issue of new ordinary shares in FOD. To fund the cash component of the Transaction and to increase the Company's working capital, FOD proposes to conduct a placement of shares to raise up to \$35 million which Bell Potter intends to underwrite ("Placement"). Please see Appendix 1 for a detailed outline of the Transaction mechanics and the proposed structure of the Placement.

The Placement is expected to raise funds from institutional investors who will bring strength to the Company's share register and improve liquidity in trading of the Company's shares.

Completion of the Transaction is subject to certain conditions precedent being satisfied, including FOD completing a placement to fund the cash consideration and shareholder approval being obtained (among other conditions). Further details of these conditions are set out in Appendix 1. Completion is currently expected to occur during January 2017. If the conditions are not satisfied, the Transaction may not proceed.

The earnings contributed by the Healthy Warrior Group after the Transaction will not count towards the conversion milestones that are set in the terms of issue of the Performance Shares and Performance Rights currently on issue in the Company.

HLB Mann Judd has been engaged to prepare an Independent Expert's Report for the Transaction and Hall Chadwick has been engaged to prepare an Investigating Accountant's Report, both of which will accompany the notice of meeting and Explanatory Memorandum to be circulated to FOD shareholders. Herbert Smith Freehills have advised on the legal aspects of the Transaction.

## Indicative timetable

The Transaction is subject to shareholder approval at the meeting currently scheduled for January 2017.

A notice of meeting and an explanatory memorandum, which will include the Independent Expert's Report and Investigating Accountant's Report, and set out further information in respect of the approvals being sought, will be sent to shareholders in December 2016.

The FOD Board, with Matthew Bailey abstaining, unanimously recommends the Transaction to FOD shareholders.

Matthew Bailey is currently a Non-Executive Director of FOD and holds (directly or indirectly) a significant interest in Healthy Warrior and Future Generation Foods. Accordingly, Matthew Bailey has not been involved in the FOD Board's deliberations in relation to the Transaction and will abstain from making a recommendation on whether shareholders should vote in favour of the resolutions to be put to FOD shareholders at the meeting.

An indicative timetable of the Transaction is outlined below:

Key event	Expected date
Distribution of explanatory memorandum and notice of meeting to FOD shareholders	December 2016
Meeting and shareholder vote	January 2017
Transaction completion	January 2017

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## Appendix 1

### Implementation of the Transaction

FOD has entered share sale agreements with each of the current shareholders of Healthy Warrior and Future Generation Foods ("the SSAs"). Under the SSAs, certain conditions must be satisfied prior to completion of the Transaction, including:

1. at least \$30 million being raised pursuant to the Placement;
2. obtaining certain confirmations from ASX and relief from ASIC in respect of aspects of the Transaction;
3. Matthew Bailey entering an employment agreement in respect of his new role as an executive director;
4. assigning certain trademarks and domain names to ensure they are held by Healthy Warrior and Future Generation Foods (as applicable) prior to completion occurring;
5. obtaining certain third party consents;
6. completion occurring under both SSAs simultaneously; and
7. obtaining FOD shareholder approval for the Transaction.

If any of these conditions are not satisfied the SSAs may be terminated, in which case the Transaction will not proceed. FOD has also agreed to the payment of a break fee of \$250,000 to the current shareholder of Healthy Warrior in circumstances where the conditions in 1, 2 or 7 are not satisfied by 28 February 2017.

The SSAs contain warranties and indemnities granted by Healthy Warrior and Future Generation Foods, as well as FOD, which are customary for transactions of this nature.

FOD has the right to terminate the SSAs prior to completion in certain limited circumstances, including where there is a material adverse effect that impacts Healthy Warrior or Future Generation Foods or if there is a breach of warranty discovered prior to completion that is reasonably likely to give rise to a material loss for Healthy Warrior or Future Generation Foods. Healthy Warrior and Future Generation Foods have also agreed to conduct their businesses in the ordinary course prior to completion.

### **Capital raising and shareholder meeting**

- If completion of the acquisition occurs, the cash component of the consideration to be paid by FOD will total approximately \$24.6 million (subject to certain agreed adjustments).
- To fund the payment of the cash consideration and to increase the working capital available to the Company, FOD is seeking to raise \$35 million through the issue of FOD shares to sophisticated or professional investors pursuant to a private placement ("Placement"). The lead manager for the Placement will be Bell Potter Securities Limited ("Bell Potter"). The Placement is expected to be underwritten by Bell Potter.
- If completion of the acquisition occurs, FOD also proposes to issue 191,666,667 shares to Healthy Warrior's and Future Generation Foods' current shareholders, representing 22.35% of FOD's expected ordinary shares on issue after completion of the Transaction (assuming \$35 million is raised pursuant to the Placement at \$0.12 per FOD share).
- In determining the number of shares to be issued as consideration for the acquisition, the parties have assumed that the Placement will take place at \$0.12 per FOD share or higher. If this is not the case and the Placement shares are issued for less than \$0.12 per FOD Share, the SSAs provide for additional shares to be issued by FOD as part of the consideration.
- The Transaction is subject to shareholder approval by ordinary resolution at a general meeting of FOD shareholders expected to be held in January 2017.
- A report will be prepared by an Independent Expert ("IE") who will opine on whether the transaction is fair and reasonable. This report will be provided to FOD shareholders as part of the explanatory memorandum and notice of meeting prepared by FOD.
- The Transaction will result in Matthew Bailey, Stewart Bailey, The Bailey Brothers Pty Ltd as trustee for The Bailey Brother Unit Trust and The Bailey Boys Pty Ltd as trustee for The Bailey Boys Unit Trust each having a voting power in FOD of 26.44%, assuming \$35 million is raised pursuant to the Placement at \$0.12 per FOD share. Their precise voting power will depend on the price and number of shares issued pursuant to the Placement, and will be detailed in the explanatory memorandum and notice of meeting to be prepared by FOD and circulated to shareholders prior to the meeting.
- The Directors who are entitled to vote on the Transaction have unanimously resolved to recommend the transaction.
- It is a condition to completion of the Transaction that Matthew Bailey (currently a non-executive director of the Company) enter an employment agreement with the Company to become an executive director.