

23 May 2019

Company Announcements Office
ASX Limited
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Sydney NSW 2000

Freedom Foods Group Limited
\$130 million Equity Raising Announcement

Equity Raising

Freedom Foods Group Limited (ASX Code: FNP) (**Freedom Foods** or the **Company**) is pleased to announce a \$130 million equity raising (**Equity Raising**) comprising:

- a pro rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) of 1 fully paid ordinary share in Freedom Foods (**New Shares**) for every existing 18 Freedom Foods shares held as at 7:00pm (Sydney time) on Monday 27 May 2019 by eligible shareholders at an offer price of \$4.80 per New Share (**Offer Price**) to raise approximately \$65 million; and
- an institutional placement (**Placement**) of New Shares at an Offer Price of \$4.80 per New Share to raise approximately \$65 million, conducted as an exception under ASX Listing Rule 7.2.

The Offer Price represents a 5.5% discount to the volume weighted average share price of Freedom Foods over the past 20 trading days¹.

The Equity Raising is supported by cornerstone investor Arrovest Pty Limited (a Perich Group company) (**Arrovest**), which has committed to take up its full allocation under the Entitlement Offer, and has agreed to sub-underwrite part of the Entitlement Offer. Arrovest will not participate in the Placement.

The Equity Raising is fully underwritten by Veritas Securities Limited (**Veritas**) and UBS AG, Australia Branch (**UBS**). Veritas, UBS and Citigroup Global Markets Australia Pty Limited are joint lead managers.

Proposed Use of Funds

Funds raised from the Equity Raising will predominantly be used to accelerate Freedom Foods's growth strategy, including:

- acceleration of capital expenditure programs in nutritional ingredients through 2019 and 2020 of \$100 million; and
- \$30 million to support increased working capital requirements to meet demand growth.

¹ For the 20 trading days between 23 April 2019 and 22 May 2019 inclusive



Nutritional Ingredients

The Company's newly established Nutritional ingredients capability is experiencing strong customer demand for its unique capabilities.

The Company has commitments for the sale of all its available capacity in FY 2020 for:

- Native WPI (Powder)
- Micellar Casein (Liquid); and
- Lactoferrin (Powder).

Pricing for these key ingredients has been achieved at or above initial business plan assumptions.

The Company has strong demand beyond FY 2020 for additional supply of these key ingredients.

Significant incremental revenue and profitability is available through accessing protein streams from increased UHT dairy milk flows, as well as expanding into new proteins including:

- Alpha Lactalbumin;
- Immunoglobulin; and
- Beta-lactoglobulin.

Dairy milk flows in excess of 400 million litres in FY 2020 provide additional protein streams.

Nutritional ingredients capacity will be increased to process additional protein streams in liquid and dried formats, as well as extract new protein streams.

Nutritional Ingredients Capacity Expansion Programs

Funds raised will provide for an acceleration of nutritional ingredients capacity capabilities to:

- increase fractionation of protein streams currently being produced (lactoferrin, native whey protein isolate and micellar casein);
- access new protein streams from increased UHT dairy milk flows (alpha lactalbumin, immunoglobulin, beta lactoglobulin);
- install protein drying (stage 2); and
- expand the blending and packaging facility.

Outlook

Freedom Foods is increasingly well positioned to strategically build into becoming a major international food and beverage business with scale in these key platforms.

The Group continues to experience strong demand across its business activities in Australia, China and SE Asia. This growing demand in dairy, plant-based beverage, cereal and snacks reflects the positive impacts on the Group of structural change in the Australian dairy industry, the Group's expanded operational footprint, and increasing brand penetration and market share in key channels and categories in Australia, SE Asia and China.

Increasingly, our key brands "Australia's Own" and "Freedom Foods" will be at the forefront of driving returns from our innovation and manufacturing capabilities in Australia and international markets.

This unique capability provides for acceleration of our business, either through organic developments or through leveraging acquisitions. While this requires significant capital investment and patience, we will continue to invest to achieve this outcome, compared to an Australian food and beverage industry that has significantly underinvested over the past 20 years.

Our operating profits will increase through the investment cycle, balanced against a requirement to invest in people, systems and process to manage a scaled and diversified business platform.

The Group is leveraging its significant and growing dairy capabilities to build a branded high margin product portfolio in specialty nutritional products with the potential for a material contribution to sales and earnings from FY 2020 from the stage 1 capital expenditure program. Freedom Foods is well advanced in completing the first stage of a specialised nutritionals platform aligned to the dairy UHT operations at Shepparton. The platform will provide for protein standardisation and the ability to manufacture high grade protein components for use in our branded products and for sale to strategic customers. The new product and revenue streams will be derived from a dairy milk input already utilised in the UHT operations.

With a significant opportunity for sales and earnings contribution from this new area of business, the Group is already receiving strong customer demand including from local and global markets for all of these nutritional ingredients. This capital raising will fund accelerated expansion of capacity in Nutritional ingredients and deliver a further increase in sales and earnings in FY 2021 and beyond.

Based on current sales performance and with the Company prioritising sales to domestic demand in recent months, the Company projects FY 2019 Net Sales Revenues to be in the range of \$480 million to \$490 million, an increase of \$127 million to \$137 million or 36-39% on FY 2018 sales revenue. Despite a significant capital expenditure program in progress, the Company expects increasing margins in 2nd half FY 2019, reflecting sales mix and increasing operational leverage.

The Equity Raising, along with support from our banking partners, provides strong balance sheet capability to execute our strategy.

Further details of Entitlement Offer

The Entitlement Offer has two components:

- an institutional offer, to eligible institutional shareholders to apply for their pro-rata entitlement (**Institutional Entitlement Offer**); and
- a retail offer, to eligible retail shareholders to apply for their pro-rata entitlement (**Retail Entitlement Offer**).

The Entitlement Offer will be available to eligible shareholders on the register as at 7:00pm (Sydney time) on Monday, 27 May 2019.

The entitlements obtained under the Entitlement Offer are non-renounceable and will not be tradeable on the ASX or otherwise transferable.

Further details of the Placement

The Placement is an issue of approximately 13.5 million shares at an offer price of \$4.80 to institutional investors.

Placement shares do not have rights to participate in the Entitlement Offer.

Timetable

The anticipated timetable of key events in relation to the Entitlement Offer and Placement is as follows:

Event	Date
Trading halt and open Placement and Institutional Entitlement Offer	Thursday, 23 May 2019
Close Placement and Institutional Entitlement Offer	Thursday, 23 May 2019
Resume trading, announce results of Placement and Institutional Entitlement Offer	Monday, 27 May 2019
Record date for Entitlement Offer (7:00pm, Sydney time)	Monday, 27 May 2019

Lodgement of Retail Offer Booklet with ASX and dispatch of retail offer booklet and entitlement and acceptance forms to eligible retail shareholders	Wednesday, 29 May 2019
Retail Entitlement Offer opens	Wednesday, 29 May 2019
Placement and Institutional Entitlement Offer Settlement	Thursday, 30 May 2019
Allotment and quotation of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 31 May 2019
Retail Entitlement Offer closes	Tuesday, 11 June 2019
Issue of New Shares under the Retail Entitlement Offer	Wednesday, 19 June 2019
New Shares under the Retail Entitlement Offer commence trading	Wednesday, 19 June 2019

These dates, along with any other dates noted in this announcement, are indicative and subject to change. All dates and times refer to Sydney, Australia time. Freedom Foods reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, Freedom Foods reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases), and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation and trading of New Shares is subject to confirmation from the ASX.

Shareholder Enquiries

An offer booklet, including a personalised entitlement and acceptance form, which will provide further details of how to participate in the Retail Entitlement Offer, will be sent to eligible retail shareholders on or about Wednesday, 29 May 2019. Those shareholders which Freedom Foods determines to be ineligible shareholders will also be notified by Freedom Foods.

For further information in relation to the Equity Raising, shareholders are advised to refer to the Investor Presentation released to the ASX on Thursday, 23 May 2019.

For other enquiries, please contact the Freedom Foods Offer Information Line on 1300 495 169 (within Australia) and +61 1300 495 169 (outside Australia), during the offer period.

For further information, please contact:

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements can generally be identified by the use of forward looking words such as "believe",

“expect”, “estimate”, “will”, “may”, “target”, “anticipate”, “likely”, “intend”, “should”, “could”, “predict”, “plan”, “propose”, “potential” and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Freedom Foods and cannot be predicted by Freedom Foods and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Freedom Foods operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. None of Freedom Foods or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy, likelihood of fulfilment or reasonableness of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.