

# FREEDOM FOODS GROUP

## Equity Raising Presentation

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23<sup>rd</sup> May 2019



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# Table of Contents

## Overview

- Overview
- Proposed Use of Funds
- Details of Equity Raising
- Equity Raising Indicative Timetable

## Our Business

## Appendices

- Appendix A – Financials FY 2019 1<sup>st</sup> Half
- Appendix B – Key Risks
- Appendix C – Foreign Selling Restrictions



# Overview





# Overview

- Demand for the Company's UHT Dairy operations are growing above plan, with demand reflecting:
  - Increasing demand for UHT dairy products in Australia, SE Asia and China;
  - No significant increase in industry UHT capacity to meet demand; and
  - Recognition by customers of the Company's broad range of UHT capabilities across its Shepparton and Ingleburn UHT sites.
- The Company has increased the size of its dairy milk pool to more than 400 million litres in FY 2020 to provide for increased demand above plan
- The Company's newly established Nutritional ingredients capability is experiencing strong customer demand for its unique capabilities
- Increased dairy milk throughput above plan provides an opportunity to expand Nutritionals capability to further increase sales and earnings
- The Company will raise approximately \$130 million in equity capital to support increased working capital to meet demand growth and fund accelerated expansion of capacity in Nutritional ingredients





# Recent History

- The Company is strategically well positioned to build into a significant international food and beverage business
- In recent years, the Company has invested in state of the art infrastructure for its products through an investment program of +\$400m
- In 2018 the Company raised \$200m to accelerate capital expenditure programs. Works completed in the last 12 months include:
  - UHT processing upgrade to +500m litres capacity in Shepparton
  - Stage 1 protein fractionation and drying, with production commencing in February 2019
  - Yoghurt processing capabilities in Ingleburn, increasing the capacity of the group to +690m litres
- The Company continued to have strong sales growth in FY 2019, projected to be between 36% and 39% and anticipates continued strong demand into FY 2020
- Introduction of new brands which have been accepted well by the market to date, including Milklab in the liquids category and Messy Monkeys, Crafted Blends, Arnold's Farm and Barley+ in the cereals and snacks category
- Growing demand in certain segments like dairy, provide an opportunity to fast track development of a high value added nutritional platform



# Dairy Demand

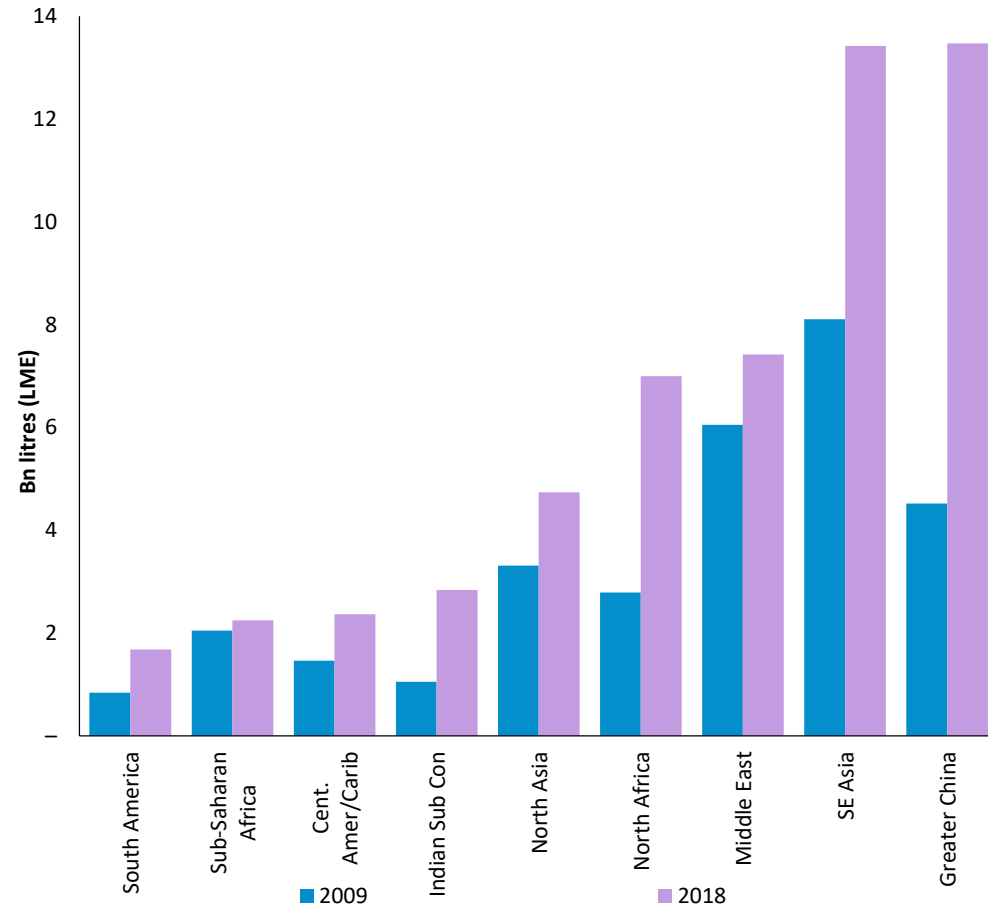
- The Company expects strong ongoing demand for dairy products including UHT milk from export markets
- China and SE Asia markets are projected to have increasing supply side “milk deficits” based on a recent report from Rabobank
- Consumption rates (per capita) in China and SE Asia for dairy proteins are still significantly below Western rates
- Forecast “milk deficits” in China and SE Asia reflect increasing demand for dairy proteins and supply constraints in domestic market supply relating to:
  - High cost of production;
  - High feed inputs; and
  - Climate challenges to efficient dairy production.

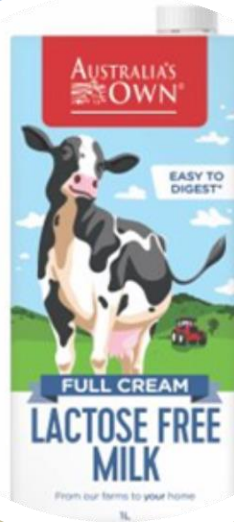
## Note:

- Source: Rabobank presentation at the Trans Tasman Dairy Leaders' Forum - RaboResearch Food & Agribusiness May 2019
- Rabobank has not consented to the use or inclusion of these statements in this presentation and has not authorised or caused the issue of this presentation. Use of these statements in this presentation does not imply any affiliation with or endorsement by Rabobank

## Emerging market ‘milk deficits’ have widened

Annual milk deficit, 2009 vs 2018 (and CAGR%)





# Value Adding UHT Dairy

# Functional Benefits of Key Proteins Produced

## nWHEY PROTEIN ISOLATE

(nWPI)

**Key Muscle Synthesis Driver** (maximising anabolic potential)

**Differential Protein Function** (non-denatured protein providing differential functional properties)

**Faster Leucine & Essential Amino Acids delivered with less total protein**

## nMICELLAR CASEIN CONCENTRATE

(nMCC)

**Extended Exercise Recovery** (night time recovery, ongoing overnight protein delivery)

**Attenuates Muscle Breakdown** (constant Amino Acids supply)

**Weight loss** (slow digestion, increased longer-term satiety, calorie controlled, micronutrient enriched)

**Sarcopenia Benefits** (older adults, longer muscle remodelling after exercise, reduced losses)

## LACTOFERRIN

(Lf)

**Iron Balance - Energy & Vitality** (very effective, gentle iron absorption without GI upsets)

**Immune Health** (antibacterial & anti-inflammatory)

**Digestive Health** (as a Prebiotic, facilitates gut lining properties and gut immunity)

**Wellness** (healthy living, active lifestyle, healthy ageing)

*Note:*

- Commonly perceived key functional benefits - Dr Sonja Kukuljan, PHD Head of Nutrition Science of Freedom Foods Group

# Demand for Dairy Proteins

## Growth in Protein Consumption

Consumption of dairy proteins has been increasing in recent years, driven by rising income in emerging markets, growth in 'gym culture' and a shift towards foods with functional benefits

## Healthy Ageing

Senior consumers are also showing an interest in dairy based nutrition products in order to prevent sarcopenia (loss of muscle mass), giving rise to the 'healthy ageing' category.

## Dairy Proteins “Gold Standard”

Dairy proteins are often viewed by consumers as the 'gold standard' in protein due to their complete amino acid profile, easy digestibility and satiety benefits, and are increasingly used for fitness and weight management

## Clinical Nutrition

Dairy ingredients such as casein and whey proteins are commonly used in medicines and treatments for malnutrition

## Sports Nutrition

Dairy proteins play a key role in sports nutrition, with ingredients such as whey and casein staple components of many product varieties. The sports nutrition market is currently experiencing rapid growth, and is expanding to include more segments, with greater numbers of casual users using the products

### Note:

- Source: Deloitte Report Proteins – Global Dairy Sector – Trends and opportunities January 2017
- Deloitte has not consented to the use or inclusion of these statements in this presentation and has not authorised or caused the issue of this presentation. Use of these statements in this presentation does not imply any affiliation with or endorsement by Deloitte



# Nutritionals Demand

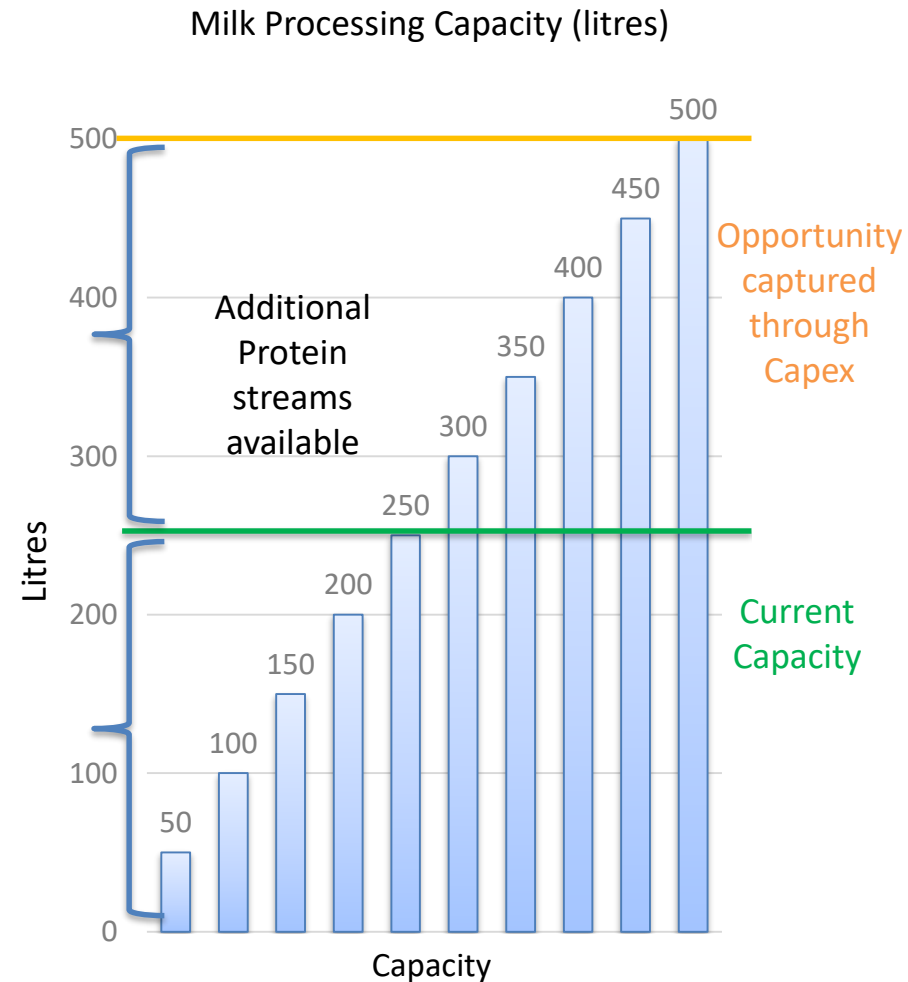
- The Company's newly established Nutritional ingredients capability is experiencing strong customer demand for its unique capabilities
- The Company has commitments for the sale of all its available capacity in FY 2020 for:
  - Native WPI (Powder)
  - Micellar Casein (Liquid)
  - Lactoferrin (Powder)
- 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 is available through accessing protein streams from increased UHT dairy milk flows, as well as expanding into new proteins including:
  - Alpha Lactalbumin
  - Immunoglobulin
  - Beta-lactoglobulin





# Additional Protein Streams

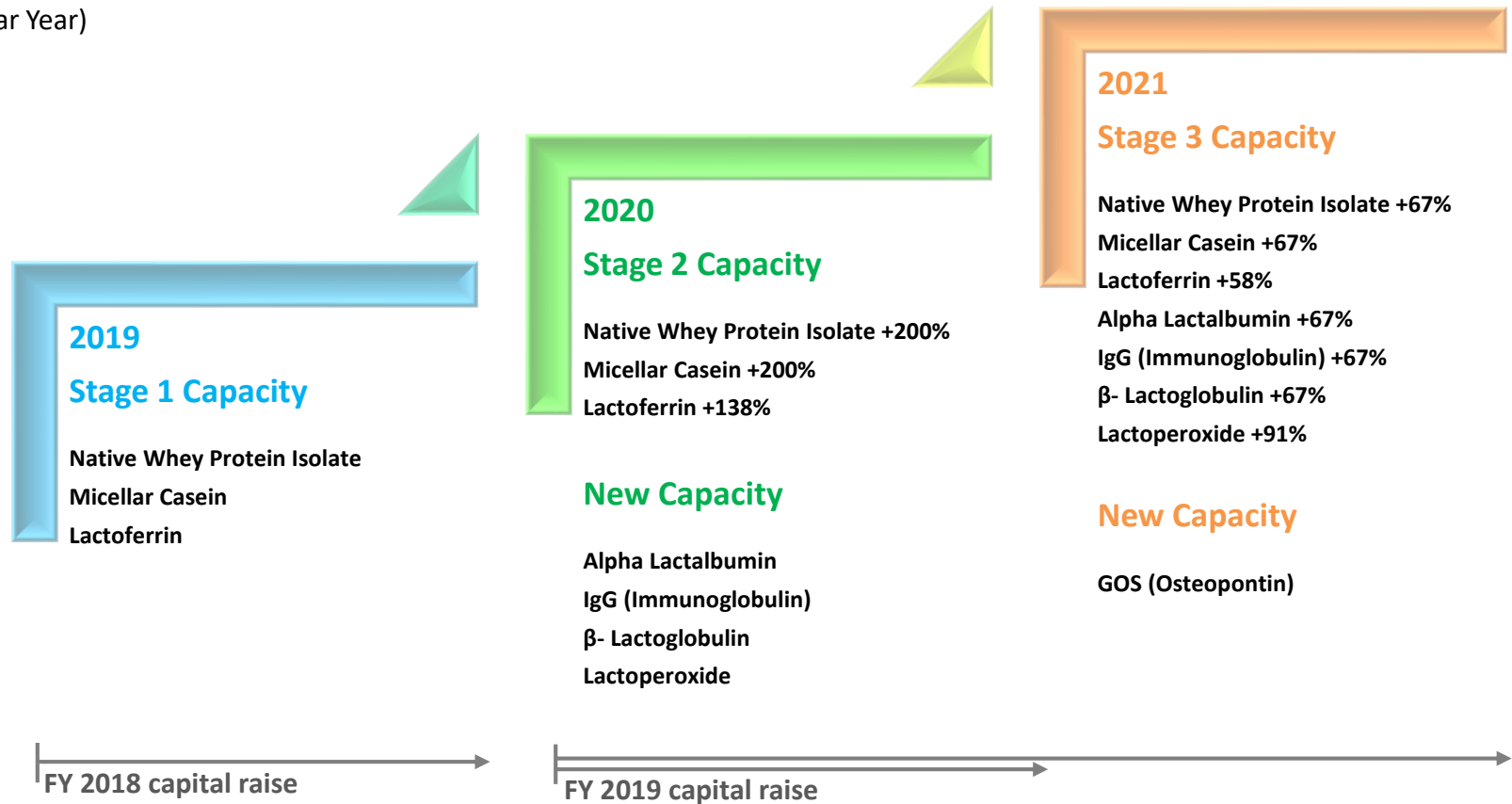
- Nutritional ingredients capabilities were established on processing the excess protein streams from up to 180 million litres of dairy milk (2017 Plan)
- Dairy milk flows in excess of 400 million litres in FY 2020 provide additional protein streams
- Nutritional ingredients capacity will be increased to process additional protein streams in liquid and dried formats, as well as extract new protein streams
- Capacity increases will include wet processing and dryer upgrades
- Capacity increases will provide for processing protein streams (from raw milk) in excess of 500 million litres UHT processing capacity



# Nutritionals – Product Capabilities

Timeline for Commercial Product Availability and Potential % Increases in Capacity based on Additional Infrastructure

(Calendar Year)





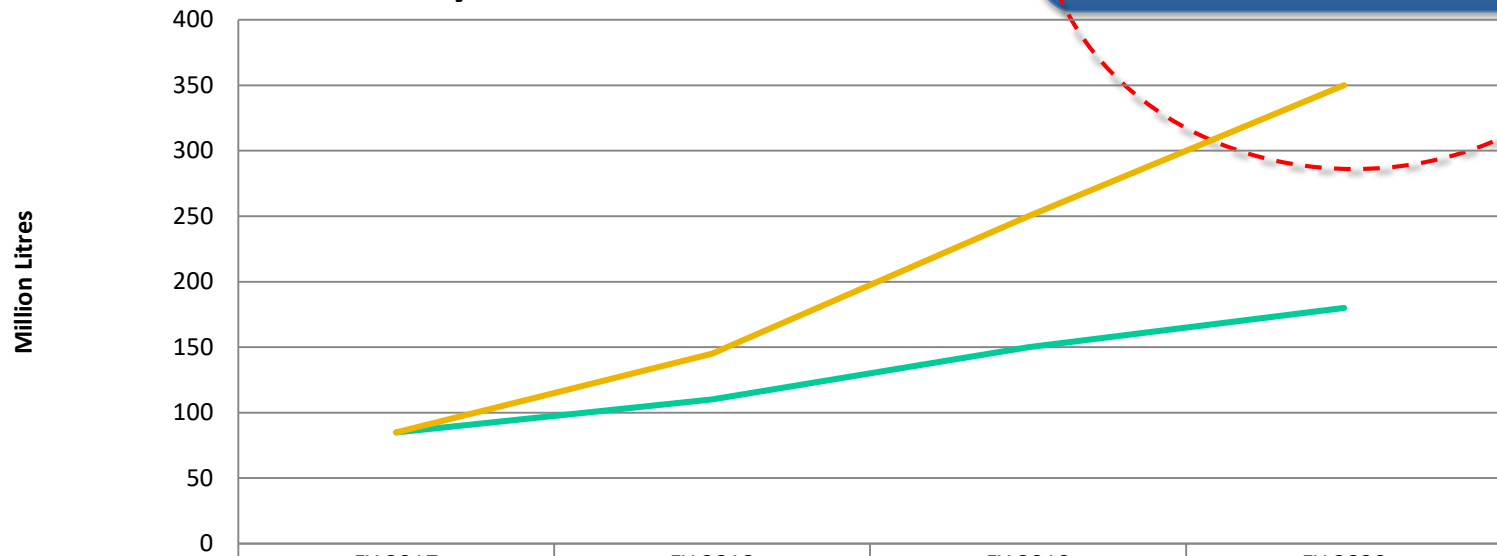
Leverage our Ingredients  
into Consumer Products



# Milk Supply to Production

Total Contracted Milk Supply  
350 – 400 million Litres  
FY 2020

UHT Dairy Litres Production – All Sites



- Growth from category demand, new product development and impacts of structural change in Australia
- Category demand from Australia, SE Asia and China

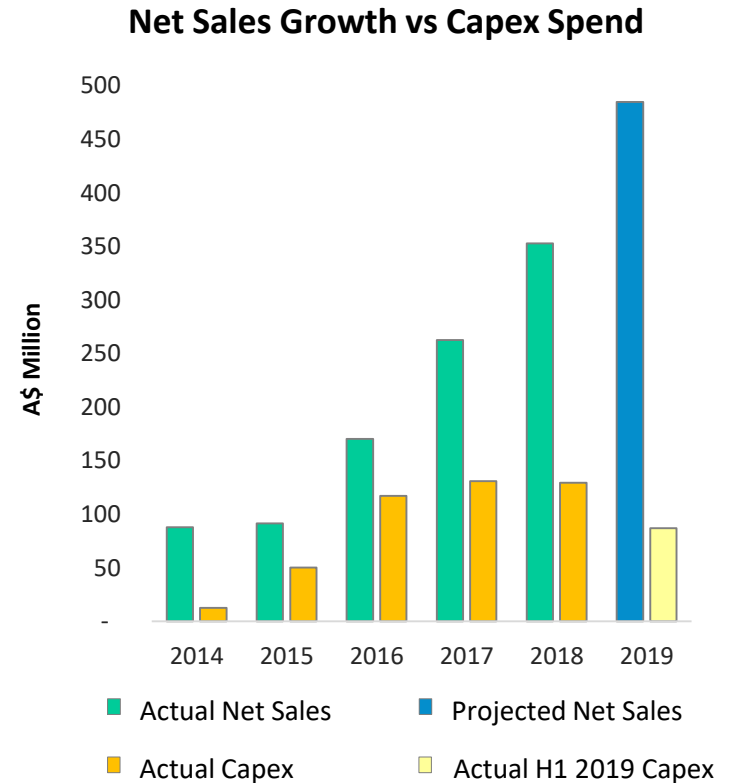
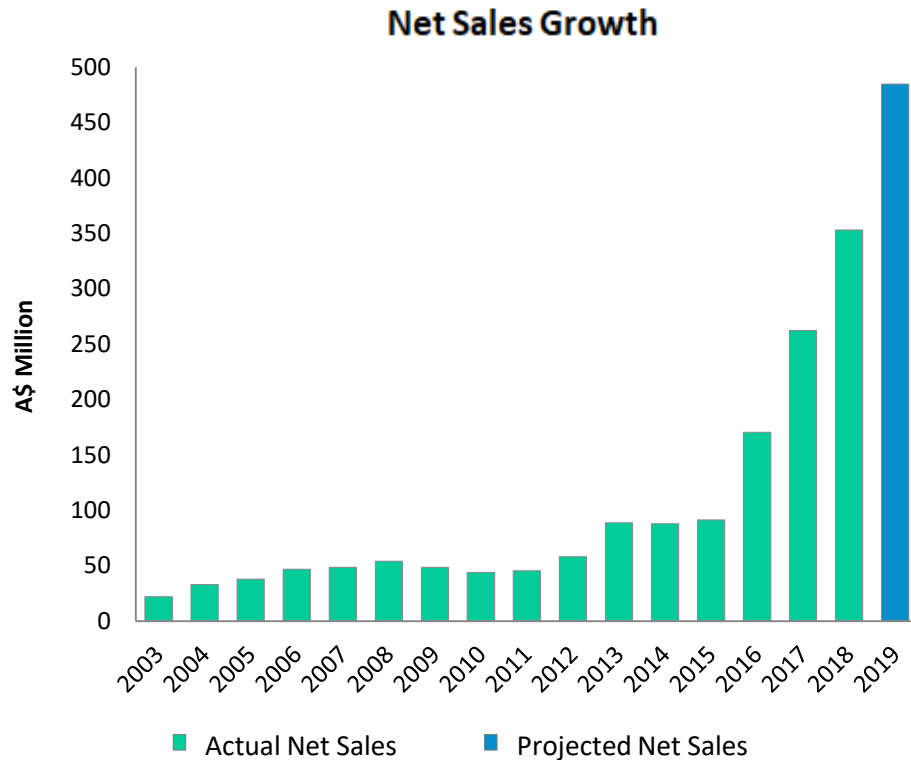
Note:

- FY 2017 3 Year Business Outlook – Published ASX 2018
- FY 2018 Updated 3 year Business Outlook

# Milk Supply

- The Company's sourcing model protects farmers from the cycle of volatility experienced by farmers who are working off traditional short term pricing
- Farmers face 3 key areas of volatility to manage: Pricing, Seasonality and Input Costs.
  - Our prices are not conditional upon external factors such as what another company is paying
  - Fixed price for the term of the contract
  - Our farmers select the term to match their planning cycle
  - Current contracts are between 12 months to 4 years
  - We pay a fair and sustainable price based on our understanding of what is needed to support our farmers' individual business strategies
- Freedom Foods continues to attract farms that are committed to producing premium quality milk under long term partnerships
- The Company has contracts to supply its accelerated plan in FY 2020 at fixed milk solid prices

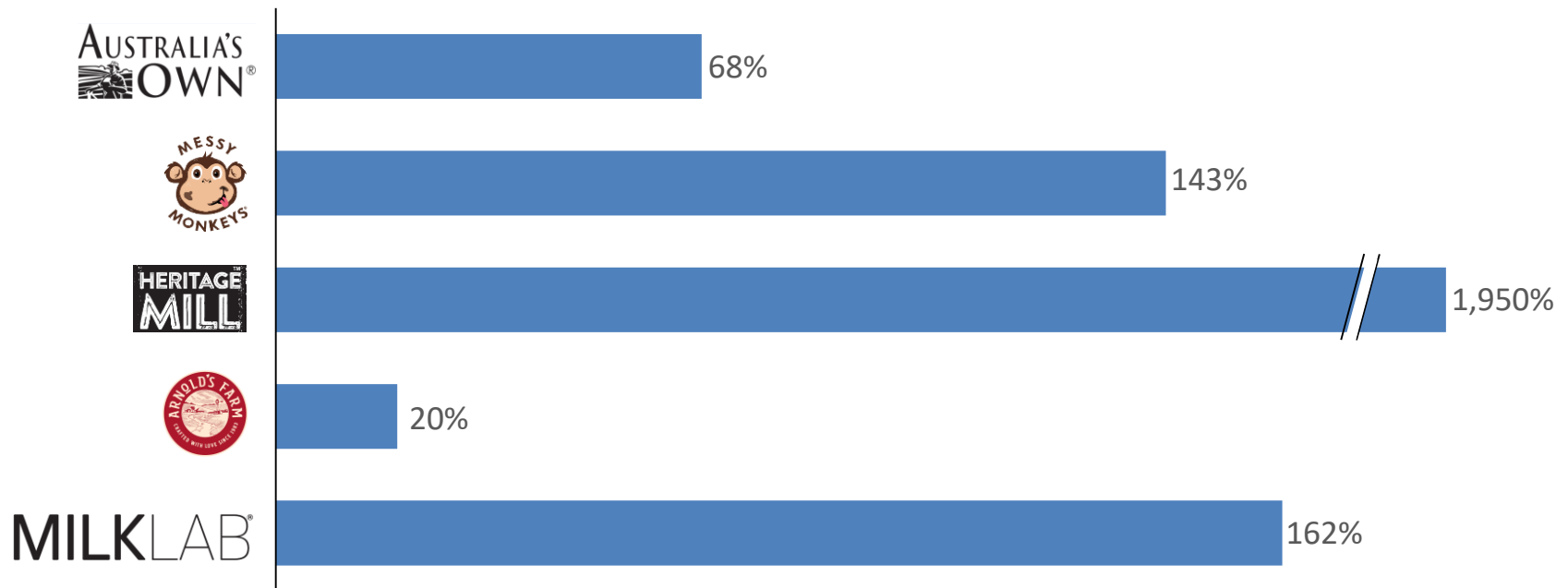
# Strong Growth in Forecast FY 2019 Net Sales



- The Company continues to experience strong demand across each of its key business units
- Based on current sales performance and with the Company prioritising sales to domestic demand in recent months, the Company estimates FY 2019 Net Sales Revenues to be in the range of \$480 - \$490 million, an increase of \$127 - \$137 million or 36 - 39%
- Despite a significant capital expenditure program in progress, the Company expects increasing margins in 2<sup>nd</sup> half FY 2019, reflecting sales mix and increasing operational leverage



# Strong Gross Sales Growth in Branded Products



- The Company is the 2<sup>nd</sup> fastest growing grocery supplier, growing at +37.1% vs total defined grocery (excluding tobacco) at +1.6%<sup>1</sup>
- 1 in 6 Woolworths & Coles shoppers (16%) were purchasing Freedom Foods product in Qtr. 3 FY 2019<sup>2</sup>

Note:

(1) Source: IRI 'The Big Picture – Manufacturer Overview Top 100 Snapshot, 12 months to 6 Jan 2019

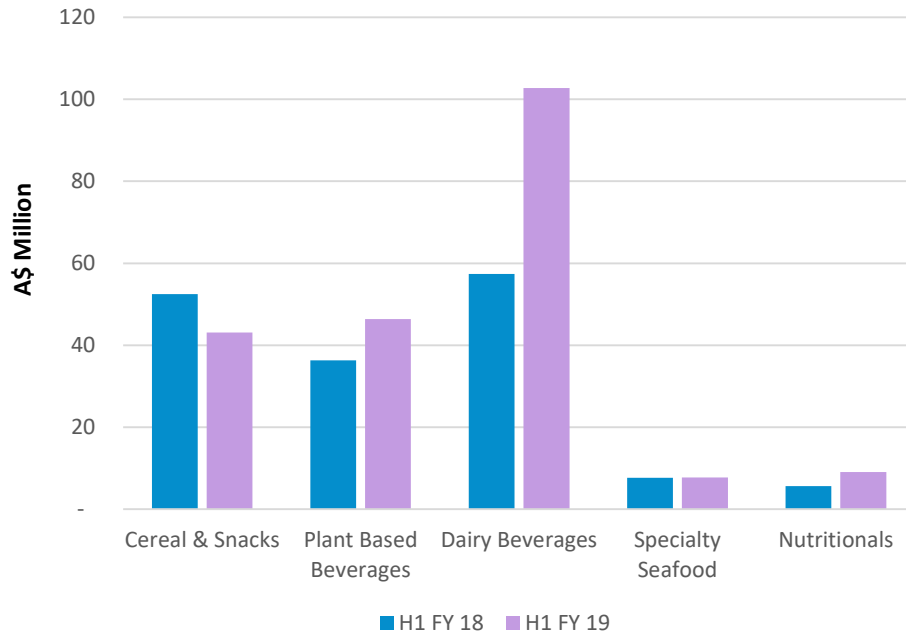
(2) Source: Quantum Q.Checkout 13 Weeks to 2 Apr 2019, Coles management

Chart Source: data is based on 10 month period; as at the end of April 2019, compared to the same period in 2018

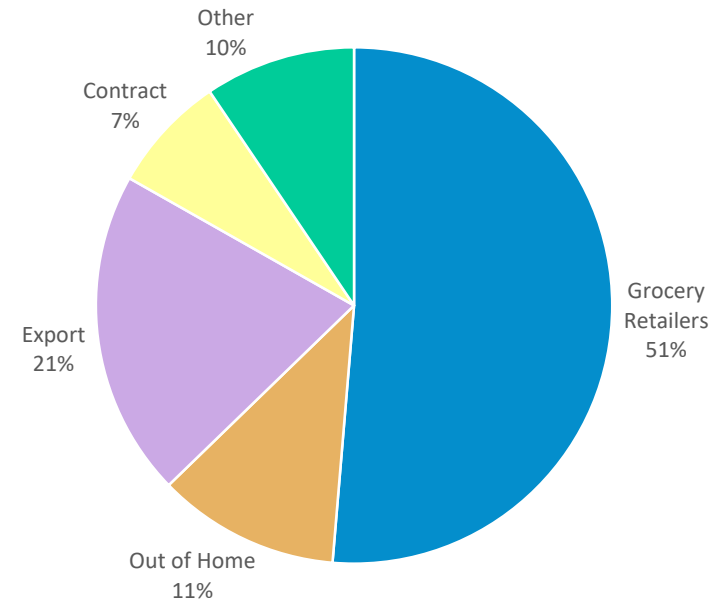
Guidance on sales refers to Gross Sales Revenues, before trade deductions.

# Actual Net Sales Mix / Geography

Net Sales by Business Segment



Net Sales by Key Category / Geography

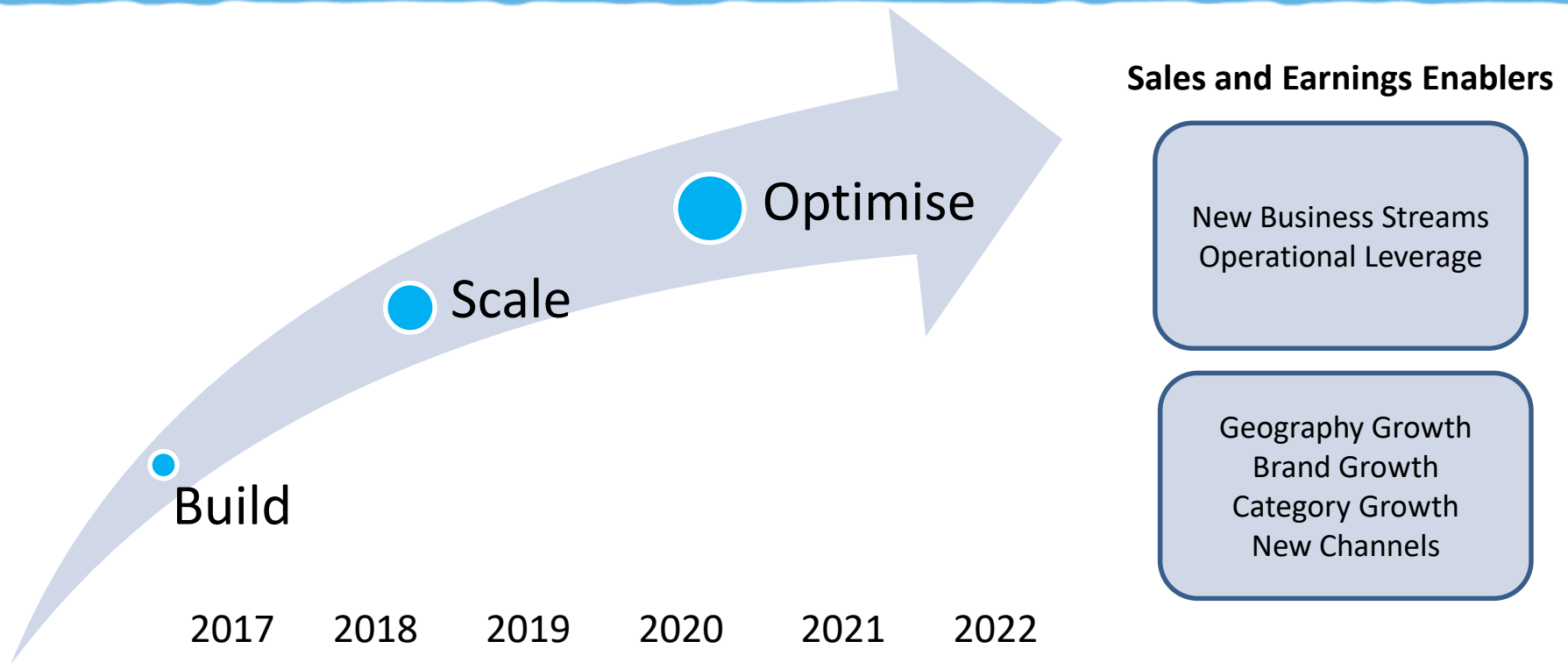


- Strong growth across the majority of key business groups
- Cereal & Snacks reduction is due to the Company's decision to exit a number of major contract manufacturing arrangements to focus on its own higher margin brands, which have continued to see significant growth in FY 2019

*Note:*

- Guidance on sales refers to Net Sales Revenues, being Gross Sales, net of trade deductions
- H1 FY 2018 Net Sales Revenue – Actuals by Business Group
- H1 FY 2019 Net Sales Revenue – Actuals by Business Group

# Development Curve



- Harvesting benefits of building capacity in brands, innovation and operational capability
- Building sales through expanded share and development of new markets
- Optimising scale economies

# Proposed Use of Funds

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# Use of Funds



Accelerate capital expenditure programs in Nutritional ingredients through 2019 / 2020 to bring forward sales and earnings

## **Nutritional Demand Capacity Increases (\$100m)**

- Increased Protein fractionation
  - LF, WPI, MCC
- Access new protein streams (Alpha Lac, IGG)
- Additional Protein Drying Stage 2
- Expanded Blending and Packing Facility

## **Working Capital (\$30m)**

- Increased dairy milk purchases
- Increased export market sales
- Increased forward raw materials and packaging requirements for growth in dairy and plant based beverage products

*Incremental capital expenditure in Nutritional ingredients is expected on average to deliver annualised EBITDA return on funds employed above 40% within 24 months of commencing production. The Company does not expect to see any incremental benefit from this capital expenditure until FY 2021*

# IMPACT ON BALANCE SHEET

*On basis of 31<sup>st</sup> December 2018 Balance Date*

<i>For the period ending...</i>	<b>31 December 2018 (\$'000)</b>	<b>Capital Raising Impact (Day 1)</b>	<b>Proforma Post Capital Raising (\$'000)</b>
Inventory	104,244		104,244
Trade & Other Receivables	77,910		77,910
Trade & Other Creditors	(102,612)		(102,612)
<b>Working Capital</b>	<b>79,542</b>		<b>79,542</b>
PP&E	470,300		470,300
Investments	18,937		18,937
Intangible Assets	127,569		127,569
<b>Total Fixed Assets</b>	<b>616,806</b>		<b>616,806</b>
<b>Total Funds Employed</b>	<b>696,348</b>		<b>696,348</b>
<b>Net Equity</b>	<b>532,280</b>	<b>127,000</b>	<b>659,280</b>
Total Borrowings	173,749		173,749
Total Cash	(9,681)	(127,000)	(136,681)
<b>Net Debt</b>	<b>164,068</b>	<b>(127,000)</b>	<b>37,068</b>
<b>ND / Equity</b>	<b>30.8%</b>		<b>5.6%</b>

*Note:*

- Does not include impact of movements relating to proposed capital expenditure, working capital growth and other movements to equity. Assumes \$3 million in transaction costs.
- Long term gearing target is a net debt / equity ratio of 25-35%.



# Equity Raising

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# Details of Equity Raising

<b>\$130 million Equity Raising</b>	<ul style="list-style-type: none"><li>• Freedom Foods Group Limited (“<b>Freedom Foods</b>” or “<b>the Company</b>”) is raising approximately \$130 million (the “<b>Equity Raising</b>”) through:<ul style="list-style-type: none"><li>- a 1 for 18 accelerated non-renounceable pro-rata entitlement offer (“<b>Entitlement Offer</b>”) to eligible shareholders at \$4.80 per share to raise approximately \$65 million; and</li><li>- an institutional placement (“<b>Placement</b>”) of approximately 13,545,000 new fully paid ordinary shares (“<b>New Shares</b>”) at \$4.80 per share to raise approximately \$65 million</li></ul></li><li>• The Equity Raising is supported by cornerstone investor Arrovest Pty Limited (a Perich Group company) (“<b>Arrovest</b>”), 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</li><li>• The Equity Raising has been fully underwritten by Veritas Securities Limited (“<b>Veritas</b>”) and UBS AG Australia Branch (“<b>UBS</b>”). Veritas, UBS and Citigroup Global Markets Australia Pty Ltd (“<b>Citi</b>”) are Joint Lead Managers</li></ul>
<b>Accelerated Capital Investment and Balance Sheet Flexibility</b>	<ul style="list-style-type: none"><li>• Net proceeds from the Equity Raising will be used to fund the Company’s growth strategy including:<ul style="list-style-type: none"><li>• Increased equity capital provides for acceleration of incremental capacity expansion programs of \$100 million; and</li><li>• \$30 million for balance sheet flexibility for growth</li></ul></li></ul>

# Details of Equity Raising

*The Equity Raising comprises approximately \$65 million accelerated non-renounceable pro-rata entitlement offer and approximately \$65 million institutional placement*

Entitlement Offer	<ul style="list-style-type: none"> <li>1 for 18 accelerated non-renounceable pro-rata entitlement offer ("<b>Entitlement Offer</b>") to raise approximately \$65 million</li> </ul>
Institutional Placement	<ul style="list-style-type: none"> <li>Placement to eligible institutional investors to raise approximately \$65 million ("<b>Placement</b>")</li> </ul>
Ranking	<ul style="list-style-type: none"> <li>All new Freedom Foods shares issued under the Placement and Entitlement Offer will rank equally in all respects with existing ordinary shares from the date of issue</li> <li>New shares issued under the Placement do not have rights to participate in the Entitlement Offer</li> </ul>
Offer Price and Discount	<ul style="list-style-type: none"> <li>The Placement and Entitlement Offer will be conducted at an offer price of \$4.80 per New Share, representing a 5.5% discount to the volume weighted average share price of Freedom Foods over the past 20 trading days<sup>(1)</sup></li> </ul>
Major Shareholder Commitment	<ul style="list-style-type: none"> <li>Freedom Foods's largest shareholder, Arrovest Pty Limited (a Perich Group company) ("<b>Arrovest</b>"), which holds approximately 54.86% of ordinary shares on issue, has committed to take up its full allocation under the Entitlement Offer, and has agreed to sub-underwrite the balance of the Entitlement Offer</li> <li>Arrovest will not be participating in the Placement</li> </ul>
Retail Offer Booklet	<ul style="list-style-type: none"> <li>Further details on the Entitlement Offer can be found in the Retail Offer Booklet to be dispatched to eligible Freedom Foods shareholders</li> </ul>

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

# Equity Raising Timetable

Key Events	Key Dates
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 Retail Entitlement Offer (7.00pm, Sydney time)	Monday 27 May 2019
Lodgement of Retail Offer Booklet with ASX and dispatch to 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 on ASX on a normal settlement basis	Wednesday 19 June 2019

*Note:*

*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.*

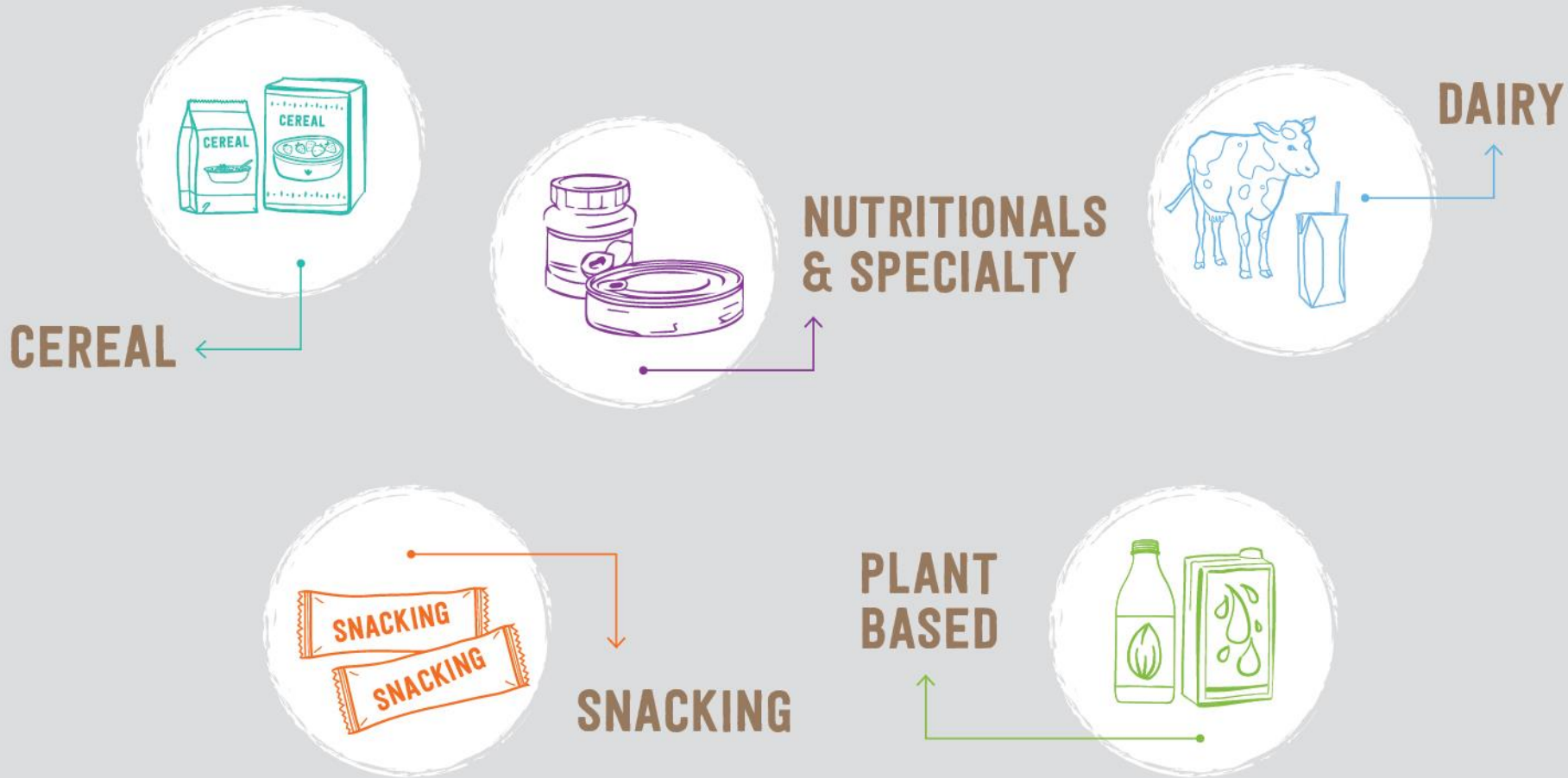
# OUR BUSINESS

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# WHAT DO WE MAKE

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# WHERE TO FIND US

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# WHERE TO FIND US

## Australian Retailers



## Out of Home, Petrol and Convenience



## Partnerships and Distribution scale in China, SE Asia



## Building Distribution scale in North America



Note:

- No customer set out above has authorised or caused the issue of this presentation, made any statement in this presentation, nor takes any responsibility for, any statements or material in, or omissions from, this presentation.

# \$400 Million Over 4 Years Investment in New Facilities and Capabilities

(FY 2017 to FY 2019)





# No 1 in UHT Capability in Australia

- Largest production capacity of branded and private label UHT milk in Australia
- Complementary production sites in Shepparton and Ingleburn
- Servicing Australia, NZ, China, SE Asia and Middle East



# UHT Capabilities - Site

## Shepparton

- High Speed dairy milk Capability (White, Flavoured)
- 1 Litre and Portion Pack (Carton Capability)

4 x 1 Litre High Speed  
1 x 2 Litre  
5 x Portion Pack High Speed

Capacity	Total
Litres	440m
Packs	810m

\* Annualised, 6 Day basis

## Ingleburn

- High Speed Plant Milk Capability (Soy, Rice, Almond, Oat, Stocks)
- High Speed High Value Added (Protein, Functional)
- Low Speed 1 Litre and Portion Pack (Yoghurt, Cream, Flavoured)
- Carton and Bottle Format
- Redundancy for Shepparton formats

2 x 1 Litre High Speed (Plant)  
1 x 2 Litre  
2 x 1 Litre Low Speed (Cream, Plant)  
2 x Portion Pack Low Speed (Yoghurt, cream)  
1 x High Speed PET Bottle

Capacity	Total
Litres	250m
Packs	500m

\* Annualised, 6 Day basis



# Brands Accelerating our Growth

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Leveraging current and emerging trends in  
consumption



Asian Market



Convenience



Source & Provenance



Plant-based

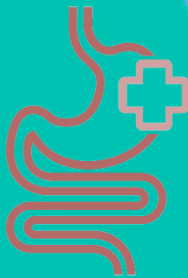


# WE ARE POSITIONED IN ON TREND GROWTH MARKETS

New Taste  
Sensations



Food as  
Medicine



Protein



Out-of-home





# DISRUPTING CATEGORIES AND CHANNELS



*65 products launched in FY 2018  
+ ~99 new branded products  
launched in FY 2019*



# Category Leader

- #1 within the Health Food Section of retail supermarkets in Australia\*
- +48.5% market share of health cereals, growth of +6% in the category\*
- Further innovation in value added cereals and snacks including products developed for on the go channels in out of home launched in FY 2019

\*MAT Scan Data FY 2019

**freedom<sup>®</sup>**  
FOODS



# Building a Leading Global Dairy Brand

## Australia's Own Dairy



# AO KIDS MILK

No 1 Imported Kids Milk in China where it is distributed and this is just the start !

- AO Kids Milk product has continued its strong growth trajectory, with the product still the No 1 imported Kid's Milk brand in China, where it is distributed
- Distribution covering 22 provinces across China, 182 cities. Includes tier 1 cities: Beijing, Shanghai, Guangzhou, Shenzhen and all tier 2 capital cities
- With demand beyond current capacity, the Company installed high speed 200ml capacity at Shepparton in FY 2019. Further additional capacity will become available at Shepparton during CY 2019
- Will be complemented with product extensions into drinking yoghurt in 2019, with an additional line being installed in Ingleburn
- Range was expanded to include A2 Kids milk in 2019

关注店铺送好礼

澳牧 AUSTRALIA'S OWN  
进口儿童牛奶

澳洲原装进口 儿童成长牛奶

孩子爱喝的进口儿童牛奶

(澳大利亚上市公司-自由食品集团荣誉出品)

43

# NEW PARTNERSHIPS

## THELAND

- Strategic new partnership with Theland, majority owned by Alibaba Group, was entered into in FY 2019
- Theland has distribution capabilities across online and offline channels in more than 25 provinces in China
- A 200ml A2 Pure Milk was launched in early calendar 2019. This was the second A2 protein milk manufactured for launched in China





# AUSTRALIA'S OWN ORGANIC

- The trend towards plant based food and beverages is increasing in Australia and global markets, driven by a desire for healthier and “cleaner” lifestyles, which is motivating consumers to focus on fruits, vegetables, nuts, seeds, grains and other botanicals
- Upward trend in plant based branded beverage sales, reflecting strong growth in the Australia's Own range and Blue Diamond Almond Breeze brand in retail channels
- **+68% growth in sales, vs prior period across AO Portfolio<sup>1</sup>**



Note:

(1) 10 month period; as at the end of April 2019, compared to the same period in 2018

# MILKLAB & ALMOND BREEZE



**+162% gross  
sales growth in  
MilkLab over  
last 10 months<sup>1</sup>**

- The increasing growth of Out of Home channels (e.g. cafes and similar) and demand for plant based milks has seen increasing demand for coffee milk products
- The Company's range of barista blend brands including the premium "MilkLab" range and "Almond Breeze Barista Blend" incorporate process technology to deliver a product that "works" with coffee

*Note:*

*(1) 10 month period; as at the end of April 2019, compared to the same period in 2018*



# MESSY MONKEYS

- Healthy snacking made for kids
- Strong growth since launch in August 2017.
- **+143% growth in Messy Monkeys over last 10 months<sup>1</sup>**
- Extended range and distribution through grocery retailers, with extensions into drinking yoghurt in CY 2019

World  
**FOOD**  
Innovation  
Awards

2018

In association with HOREFRA

**FINALIST**

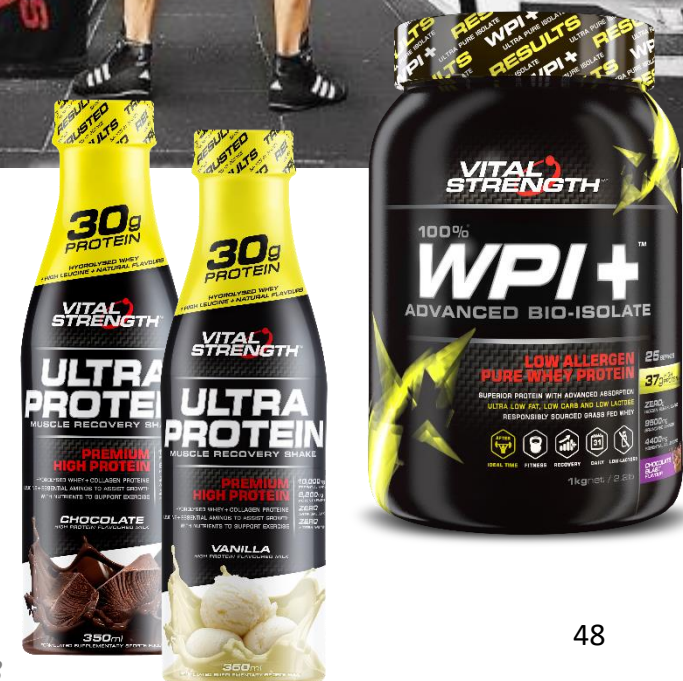


Note:

(1) 10 month period; as at the end of April 2019, compared to the same period in 2018

# VITAL STRENGTH

- Recognised as a leader in high quality nutrition products
- **+39% growth in gross sales grocery retail, vs prior period across Vital Strength portfolio<sup>1</sup>**
- Provides foundation for a unique vertical integration to the Group's dairy nutritional capabilities



Note:

(1) 10 month period; as at the end of April 2019, compared to the same period in 2018



# Top 3 CEREAL Brand ON TMALL INTERNATIONAL

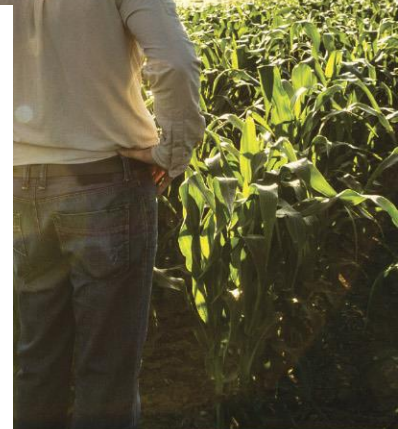
- The “Arnold’s Farm” brand is ranked in the Top 3 oat cereals in sales on Tmall International with the cereal category holding significant growth potential
- No. 2 selling cereal on Tmall during Single’s Day promotion
- Gross sales growth across Australia and China +34 % vs prior period<sup>1</sup>



Note:

- 10 month period; as at the end of April 2019, compared to the same period in 2018





# Appendix A

1<sup>st</sup> Half FY 2019 FINANCIALS

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# OPERATING EBITDA

## Underlying vs Statutory

6 Months to 31 <sup>st</sup> December (A\$ m)	1H19	1H18	Movement
<b>Operating EBDITA<sup>(1)</sup></b>	<b>21.0</b>	<b>16.0</b>	<b>+ 5.0</b>
Gain on Sale of Ingleburn	-	3.4	(3.4)
Other Costs not representing underlying performance <sup>(2)</sup>	(2.7)	(6.1)	+3.4
Employee Share Option Expense (non cash) <sup>(3)</sup>	(1.0)	(0.4)	(0.6)
<b>Statutory EBDITA</b>	<b>17.3</b>	<b>12.9</b>	<b>+ 4.4</b>

*Notes:*

- (1) Operating EBDITA (Earnings before depreciation, interest, tax and amortisation) is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBDITA is used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments
- (2) H12019 other costs not representing underlying performance includes one-off expenses of \$1.2 million, unrealised foreign exchange loss of \$824k and bank facility fee of \$376k
- (3) Non cash employee share option expense of \$1.0 million in 1 H19

# FINANCIAL SUMMARY

6 Months to 31 <sup>st</sup> December	1H19 \$'000	1H18 \$'000	% Change
Net Sales Revenue	209,041	159,563	+31.0%
EBDITA (Underlying Operating) <sup>(1)</sup>	21,003	16,008	+ 31.2%
EBDITA (Statutory)	17,309	12,896	+ 34.2%
Equity Associates Share of Profit <sup>(2)</sup>	240	240	-
Pre Tax Profit (Operating)	8,878	7,584	+ 17.1%
Pre Tax Profit (Reported)	5,184	4,472	- 15.9%
Income Tax (Operating)	2,492	2,579	-3.4%
Net Profit (Operating)	6,386	5,005	+27.6%
Net Profit (Reported)	3,729	2,951	+26.4%
Interim Ordinary Dividend (cps)	2.25	2.25	-
Interim CRPS Dividend (cps)	1.35	1.35	-
EPS (cents per share) (Fully Diluted for CRPS)	1.86	1.61	+ 15.8%
EPS Operating (cents per share) (Fully Diluted)	2.92	2.45	+ 19.0%
Net Debt / Equity	30.8%	42.5%	
Net Assets per Share (cents)	217.4	160.5	+ 35.4%
Net Tangible Assets per Share (cents)	165.5	108.6	+ 52.5%

**Notes:**

(1) H1 2019 other costs not representing underlying performance includes one-off expenses of \$1.2 million, unrealised foreign exchange loss of \$824k and bank facility fee of \$376.

(2) Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group)



# FINANCIAL SUMMARY BY BUSINESS UNITS

<i>6 months to 31<sup>st</sup> December 2018 (A\$m)</i>	Cereal & Snacks	Plant Based Beverages	Dairy Beverages	Specialty Seafood	Nutritionals	Others	Total
<b>Net Sales Revenue</b>	<b>43.1</b>	<b>46.3</b>	<b>102.7</b>	<b>7.8</b>	<b>9.4</b>		<b>209.0</b>
<b>Trading EBDITA</b>	<b>5.1</b>	<b>12.3</b>	<b>9.4</b>	<b>0.5</b>	<b>2.4</b>		<b>29.7</b>
Equity Associates <sup>(1)</sup>						0.2	0.2
Corporate Costs <sup>(2)</sup>						(8.9)	(8.9)
<b>Operating EBDITA</b>	<b>5.1</b>	<b>12.3</b>	<b>9.4</b>	<b>0.5</b>	<b>2.4</b>	<b>(8.7)</b>	<b>21.0</b>
<i>Net Sales Change (YOY %)</i>	-17.9%	+27.6%	+79.1%	+0.9%	+60.0%		+31.0%
<i>Net Sales Change (YOY \$m)</i>	-9.4	+10.0	+45.3	+0.1	+3.4		+49.5
<i>Trading EBDITA Change (YOY %)</i>	-30.1%	+50.0%	+104.3%	-44.4%	+84.6%		+32.6%
<i>Trading EBDITA Change (YOY \$m)</i>	-2.2	+4.1	+4.8	-0.4	+1.1		+7.3
<i>Trading EBDITA Margin (%)</i>	11.8%	26.5%	9.2%	6.4%	26.4%		14.2%
<i>Trading EBDITA Margin Prior Year (%)</i>	13.9%	22.7%	8.1%	12.0%	22.5%		14.0%

*Notes:*

(1) Equity Associates is share of NPAT of Australian Fresh Milk Holding (10% equity interest held by Freedom Foods Group)

(2) Corporate costs exclude non cash employee share option expenses of 1.0 million

# CASH FLOW

<i>6 Months to 31<sup>st</sup> December</i>	<b>1H19</b> (\$'000)	<b>1H18</b> (\$'000)
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<b>Cash from Operating Activities</b>	<b>(15,143)</b>	<b>27,024</b>
Payments for Restructuring & Acquisition costs	(200)	(1,182)
Net Interest Paid	(3,687)	(2,276)
Income Taxes Paid	(4,850)	(3,613)
<b>Total Cash from Operating Activities</b>	<b>(23,880)</b>	<b>19,953</b>

Capex on PP&E & Intangibles	(97,320)	(50,900)
Proceeds from Disposal of Assets	-	74,966
Payment for purchase of business	(1,779)	-
Investment in equity interest	(1,269)	-
<b>Net Cash used in Investing Activities</b>	<b>(100,368)</b>	<b>24,066</b>

Net Proceeds from Equity Issuance	-	135
Dividends Paid	(2,435)	(1,409)
Proceeds / (Repayment) of Borrowings	39,557	(43,975)
Other Payments	(1,299)	641
<b>Net Cash from Financing Activities</b>	<b>35,823</b>	<b>(44,630)</b>

<b>Net Increase / (Decrease) in Cash</b>	<b>(88,425)</b>	<b>(611)</b>
<b>Ending Cash Balance</b>	<b>9,681</b>	<b>3,573</b>

<i>6 Months to 31<sup>st</sup> December</i> <i>Impact of Working Capital Growth</i>	<b>1H19</b> (\$'000)
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<b>Profit after tax excluding non cash adjustments</b>	<b>11,689</b>
Increase in trade and other receivables	(4,910)
Increase in inventories	(23,143)
Decrease in deferred tax assets	(1,455)
Increase in operating assets	(6,290)
Increase in trade and other payables	1,319
Decrease in provision for income tax	(4,894)
Increase for provision in employee entitlements	894
<b>Net cash from Operating Activities</b>	<b>(23,880)</b>

# Appendix B

## Key Risks

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# Key Risks

A number of risks and uncertainties, which are both specific to Freedom Foods and of a more general nature, may affect the future operating and financial performance of Freedom Foods and the value of its shares. While some common risk factors are set out below, it is not possible to produce an exhaustive list. You should carefully consider the following risk factors, as well as the other information provided by Freedom Foods in connection with the Equity Raising, and consult your financial and legal advisers before deciding whether to invest. The risks and uncertainties described below are not the only ones facing Freedom Foods. Additional risks and uncertainties that Freedom Foods is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Freedom Foods's operating and financial performance.

## SPECIFIC RISKS THAT AFFECT FREEDOM FOODS

Investors should be aware of the risks associated with an investment in Freedom Foods. In particular, prospective investors should consider the following, which is not intended to be an exhaustive list.

### *Competition*

- Freedom Foods and its associated entities operate in a competitive market environment. There can be no guarantees that the competitive environment in which Freedom Foods and its associated entities currently operate will remain the same. New entrants, a material adverse change to the competitive environment or new initiatives implemented by competitors may have a material impact on the operating and financial performance of Freedom Foods and its associated entities.

### *Product Liability and Compliance*

- Freedom Foods and its associated entities have procedures and policies in place to ensure compliance with the Australian and New Zealand Food Standards and to ensure Freedom Foods's products are free from contamination. Contamination, or an extortion threat on the basis of an alleged or actual contamination, of one of Freedom Foods and its associated entities' products, may lead to business interruption, product recalls or liabilities to consumers. While Freedom Foods maintains insurance cover with respect to a certain number of these risks, Freedom Foods and its associated entities may not be able to enforce its rights in respect of these policies. If Freedom Foods and its associated entities do recover an amount under their insurance policies for loss suffered, it may not be sufficient to offset any damage to the financial condition, reputation or prospects of Freedom Foods and its associated entities caused by the contamination or extortion threat. Product contamination or an extortion threat may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.
- Failure to comply with Australian and New Zealand Food Standards or other laws and regulations governing the manufacturing and sale of food could result in the revocation of licences or registrations that Freedom Foods and its associated entities require in order to conduct their business. This may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.
- Freedom Foods and its associated entities operate and export product to international jurisdictions which may require licences or registrations. Failure to comply with the relevant laws and regulations may result in the failure to renew or obtain such licences or registrations that Freedom Foods and its associated entities require in order to conduct their business.

# Key Risks (cont'd)

## *Delisting of a Significant Number of Product Lines by a Major Customer*

- The Freedom Foods business units have strong relationships with major retail customers that make it unlikely that they will be delisted entirely as a supplier. While each of the business brands have established major segment positions that are being actively supported by their retailer customers, there is a risk that certain product lines may be delisted due to retailer strategy, competitive pressure or perceived underperformance. The business has an active process of reviewing and upgrading product lines to assist their competitive position.

## *Consumer Preferences and Perceptions*

- Freedom Foods and its associated entities' business may be affected by changes in consumer tastes, international, national, regional and local economic conditions and demographic trends. There could be a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities if health or dietary preferences cause consumers to avoid Freedom Foods and its associated entities' products in favour of alternative products.

## *Reputation and Brand Names*

- The success of Freedom Foods and its associated entities is highly reliant on its reputation and branding. Any factors or unforeseen issues or events that diminish Freedom Foods and its associated entities' reputation or brand names may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.

## *New Products and Innovations*

- Some of the new products or brands which Freedom Foods and its associated entities may launch in the future and upon which Freedom Foods proposes to develop its business, may not be successful. This may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities. There is also a risk that certain new products that Freedom Foods and its associated entities may introduce will be competitively inferior to similar products manufactured and sold by competitors. In addition, there may be technological or product innovations in the future which may impact on the perceived benefits of Freedom Foods and its associated entities' products which may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.

## *Finished Goods and Raw Material Price Changes*

- While a number of the finished goods and raw materials purchases by Freedom Foods are subject to continual price movement, Freedom Foods purchases these items on forward contracts, which typically provide cover for periods between 3 and 6 months ahead depending on the nature of the product. These periods may not provide management and the business adequate time to pass price increases on to the customer through retail pricing or re shape the product to maintain margins.

# Key Risks (cont'd)

## *Freedom Foods's Growth Strategies May Not Achieve Their Objectives*

- Freedom Foods has identified a number of growth strategies to continue to drive margin improvements and sales growth. There is a risk that the implementation of Freedom Foods's growth strategies could be subject to delays or cost overruns and there is no guarantee that these initiatives and strategies will generate the full benefits anticipated or result in sales growth. Any delay in implementation, failure to successfully implement, or unintended consequences of implementing any or all of Freedom Foods's growth strategies may have an adverse effect on Freedom Foods's future financial performance.

## *Relationships with Suppliers*

- Freedom Foods and its associated entities have a number of important arrangements with key suppliers. If Freedom Foods and its associated entities' relationships with any of these suppliers deteriorates or the supplier ceases trading for any reason and Freedom Foods and its associated entities' inventory is depleted, Freedom Foods and its associated entities may not be able to source alternative products or raw materials immediately or only on less favourable terms. Any event that results in Freedom Foods and its associated entities incurring higher costs from suppliers that cannot be passed on to the consumer may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.

## *Insurance*

- Freedom Foods and its associated entities have in place insurance which it considers appropriate to its circumstances. However, not all material risks associated with Freedom Foods and its associated entities' business have been insured, as the relevant insurance may not be available or on terms which the Directors consider appropriate. In addition, no assurance can be given that Freedom Foods and its associated entities' insurance will be available in the future on reasonable terms or will provide adequate coverage against claims made. If Freedom Foods and its associated entities incur uninsured losses or liabilities, this may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.

## *Intellectual Property*

- Freedom Foods and its associated entities maintain trade mark registrations in more than 5 jurisdictions around the world, which provide the legal underpinning for Freedom Foods and its associated entities' brands. Freedom Foods and its associated entities' trademarks and other intellectual property rights, are important to Freedom Foods and its associated entities' ongoing success and competitive position. If the actions taken to establish and protect Freedom Foods and its associated entities' trademarks and other intellectual property rights are not adequate to prevent product imitation or to prevent others from seeking to block sales of Freedom Foods and its associated entities' products, it may be necessary for Freedom Foods and its associated entities to initiate or enter into litigation in the future to enforce Freedom Foods and its associated entities' trade mark rights or to defend against claims of infringement. Any legal proceedings could result in an adverse determination, which may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.

# Key Risks (cont'd)

## *Environmental Risk*

- Freedom Foods and its associated entities' operations are subject to environmental laws and regulations. Freedom Foods and its associated entities could incur material costs in order to comply with those laws and regulations, or as a consequence of a breach of those laws and regulations. Such costs could arise due to the historic operations and activities of others conducted on a site owned or operated by Freedom Foods and its associated entities. Those costs may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities. In addition, changes to environmental laws and regulations may have a material adverse impact on the operating and financial performance of Freedom Foods and its associated entities.

## *Key Personnel Risk*

- In common with many businesses, the success of Freedom Foods will, to a significant extent, be dependent on the expertise and experience of the Managing Director and other senior management, the loss of one or more of whom could have a material adverse effect on Freedom Foods. Whilst Freedom Foods has entered into service agreements with the Managing Director and other senior management and they are shareholders, the retention of their services cannot be guaranteed.

## *Banking Facilities*

- There are certain conditions attaching to Freedom Foods's existing bank facility which will determine the extent of the facility available to Freedom Foods. If those conditions are not met, Freedom Foods may not have available funds sufficient to enable it to conduct business in the manner envisaged. Freedom Foods has established bank facilities comprising equipment finance, trade facilities and debtor finance facilities inclusive, secured by first registered mortgage over all the Group's property.

## *Taxation Implications*

- Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in Freedom Foods securities, or the holding or disposal of those securities. Further, changes in taxation law or to the way taxation law is interpreted in the various jurisdictions in which Freedom Foods operates, may impact Freedom Foods's future tax liabilities.

## *Credit Risk*

- Credit market conditions and the operating performance of Freedom Foods will affect borrowing costs as well as Freedom Foods's capacity to repay, refinance and increase its debt.



# Key Risks (cont'd)

## GENERAL RISKS RELATING TO EQUITY INVESTMENTS AND MARKETS

- Investors should be aware that there are risks associated with any investment listed on the ASX. The value of Shares may rise above or fall below the Equity Raising price, depending on the financial condition and operating performance of Freedom Foods. Further, the price at which Shares trade on the ASX may be affected by a number of factors unrelated to the financial and operating performance of Freedom Foods and over which Freedom Foods and its directors have no control.
- These external factors include:
  - economic conditions in Australia and overseas;
  - investor sentiment in the domestic and international stock markets;
  - changes in fiscal, monetary, regulatory and other government policies; and
  - geo-political conditions such as acts or threats of terrorism or military conflicts.
- Investors should note that the historic share price performance of Shares provides no guidance as to its future share price performance.

### *Shares held by Controlling Shareholder*

- Following completion of the Equity Raising, the current controlling shareholder, Arrovest Pty Limited ("**Arrovest**") will continue to hold a controlling interest of up to a maximum of 61% in the Shares, which may impact liquidity of the Shares.
- The absence of any sale of Shares by Arrovest may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that, on a disposal, Shareholders may receive a market price for their Shares that is less than the price that they paid under the Equity Raising.
- A significant sale of Shares by Arrovest, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The interests of Arrovest may be different from the interests of other investors including existing shareholders or other investors who acquire Shares in the Equity Raising.
- Arrovest will have effective control of the Company through the ability to pass ordinary resolutions (and potentially special resolutions depending on Shareholder turnout at general meetings) of the Company without the need for any additional Shareholder support. In particular, this will (among other things) enable Arrovest to control the appointment and removal of Directors of the Company, and consequently, the financial and operating policies and the strategic direction of the Company. Arrovest will also solely be able to control the approval of certain transactions involving the Company including the issue of shares beyond the limits set under the ASX Listing Rule and Shareholders may be diluted as a result.

# Appendix C

## Foreign Selling Restrictions

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# Foreign Selling Restrictions

## International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("**New Shares**") of Freedom Foods in any jurisdiction in which it would be unlawful. This document may not be distributed to any persons and the New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "**FMC Act**").

The New Shares in the Placement and Entitlement Offer are not being offered to the public within New Zealand other than to existing shareholders of Freedom Foods with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Placement and Entitlement Offer, the New Shares may not be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act; or
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; or
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act; or
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# Foreign Selling Restrictions (cont'd)

## Germany

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("**Prospectus Directive**"), as amended and implemented in Member States of the European Economic Area (each a "**Relevant Member State**"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments unless such entity has requested to be treated as a non-professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2014/65/EC, "**MiFID II**") and the MiFID II Delegated Regulation (EU) 2017/565;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000, (ii) annual net turnover of at least €40,000,000, and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) unless such entity has requested to be treated as a non-professional client in accordance with MiFID II and the MiFID II Delegated Regulation (EU) 2017/565;
- to any person or entity who has requested to be treated as a professional client in accordance with MiFID II; or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 30 of the MiFID II unless such entity has requested to be treated as a non-professional client in accordance with the MiFID II Delegated Regulation (EU) 2017/565.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong (the "**Companies (WUMP) Ordinance**"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "**SFO**"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under the SFO).

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# Foreign Selling Restrictions (cont'd)

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This document has been given to you on the basis that you are (i) an existing holder of Freedom Foods’ shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) an “accredited investor” (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

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# Foreign Selling Restrictions (cont'd)

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