

FY 2019 FINANCIAL RESULTS

COMPANY PRESENTATION

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August 2019



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MAKING FOOD BETTER

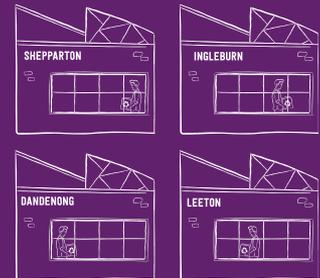
From Australia to the World!

Company Overview

Strategy Progress Updates

Summary Financials

Outlook



COMPANY OVERVIEW

- FY 2019 Results Highlights
- Underlying Earnings



Highlights

FY 2019 Results Overview

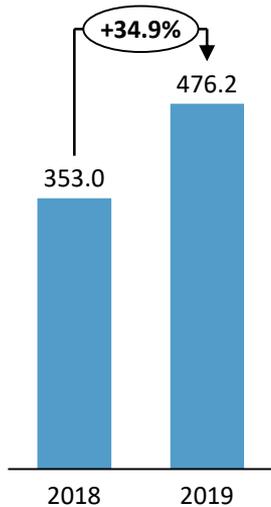
- **Net Sales** increased +34.9% to \$476.2 million, an increase of \$123.2 million
- **Operating EBDITA** increased +40.9% to \$55.2 million, an increase of \$16.0 million
- **EBDITA margins** for the period increased from 11.1% to 11.6%
- **Operating NPAT** increased +40.1% to \$21.9 million
- **Final unfranked dividend** of 3.25 cents per share



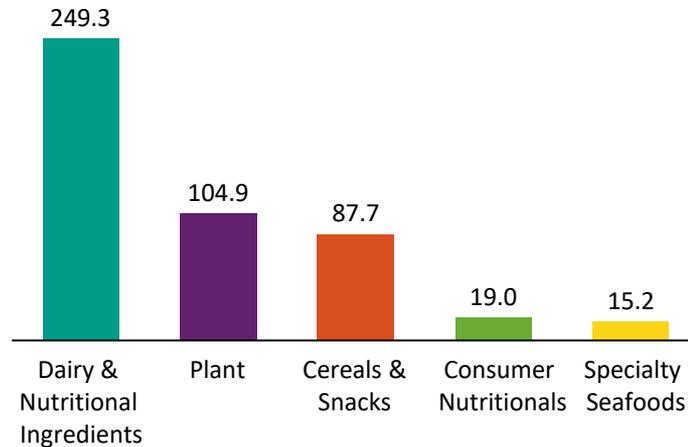
Highlights

FY 2019 Results Overview

Total Sales Growth



Sales by Key Segments



- The Group is the **fastest growing** branded supplier in the Australian **Grocery market** out of the top 100 suppliers
- Sales from **Group Brands** increased to **+48.5% (\$230.9m)** of total sales in FY19 from +45.0% (\$158.9m) in FY 2018
- Growth achieved in key branded categories and channels, with retail grocery performance in Australia above category average growth rates
- Strong growth in **China**, with sales revenue increasing **+37.3%**
- Exceptional growth in **SE Asia** sales revenue growing **+178.8%** following establishment of local team
- Sales from our transformational **Nutritionals Capabilities** completed in late FY 2019 are expected to materially contribute to dairy and nutritional ingredients segment earnings in FY 2020+

Highlights

FY 2019 Results Overview

10 years' Operating EBITDA Growth



- Key EBITDA growth drivers were Dairy & Nutritional Ingredients **+110.8%**, Plant **+45.8%** and Consumer Nutritionals **+46.7%**
- The full year earnings results did not fully benefit from the key capital expenditure initiative undertaken since March 2018, this included the new Nutritionals capabilities and the 500 million litre capacity expansion in Shepparton
- The baseline dairy segment had improved returns from operations during FY 2019, which is expected to continue into FY 2020+ with increased optimisation of capacities at Shepparton and the integration of Nutritional Ingredients

Underlying Earnings

Underlying vs Statutory

12 Months to 30 th June 2019 (A\$ million)	2019	2018	\$ Movement	\$ Change
Underlying Operating EBITDA ⁽¹⁾	55.2	39.2	+16.0	+40.8%
Gain on sale of Ingleburn	-	3.3	(3.3)	
Other costs not representing underlying performance ⁽²⁾	(6.6)	(9.7)	+3.1	
Employee Share Option Expense (non cash) ⁽³⁾	(5.8)	(1.3)	(4.5)	
Statutory EBITDA ⁽⁴⁾	42.8	31.5	11.3	+35.8%

Note:

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. Operating EBDITA excludes the non-operating charges and gains including an add back of the non-cash employee share option expense of \$5.7 million (2018: \$1.3 million). Operating net profit is operating EBDITA less depreciation, amortisation, interest and normalised income tax expense at 27.5%.*
2. *FY 2019 other costs not representing underlying operating performance includes one off non-operating costs of \$5.4 million relating to pre-acquisition costs (\$1.3 million), unrealised foreign exchange losses (\$1.8m) and the write down of inventory and discontinued product formats (\$2.3 million). Other costs of \$1.2 million representing bank facility financing fees are classified as finance interest costs.*
3. *Non cash employee share option expense of \$5.8 million in FY 2019.*

STRATEGY UPDATE

- Markets
- Investments & Sales Growth
- Comparative Benchmarking
- Our Brands
- Product Development
- Capital Investments
- People & Technology
- Sustainability
- Milk Supply

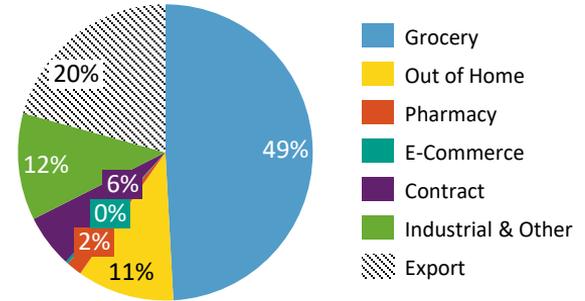


Markets

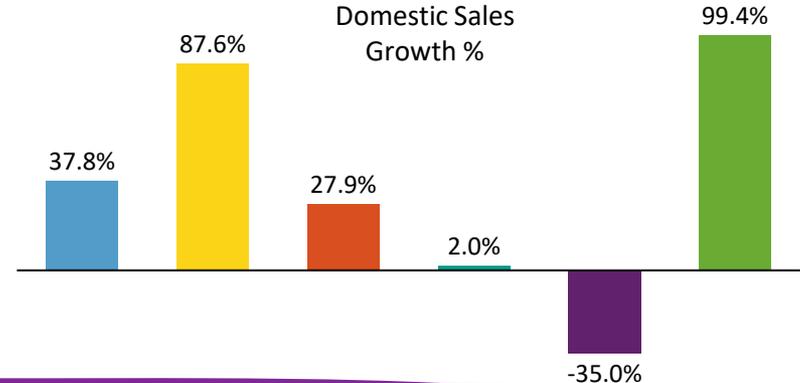
Continued Strong Growth in Australia

- Domestic (Australia) increased by **+37.5%**, contributing **\$103.4m** in sales growth for the Group
- Key drivers were:
 - Grocery** channel increased by **+37.8%**, driven by increased ranging (NPD) and market share
 - Out of Home** increased by **+87.6%**, reflecting strong growth in plant beverages (Milklab brand)
 - Industrial** increased by **+99.4%**, reflecting increased cream and initial nutritionals sales (MCC)
 - Contract** declined **-35.0%**, reflecting strategic decision to deprioritize contract customers in cereals and snacks to release capacity for our brands
 - Pharmacy** increased **+27.9%**, reflecting growth in the Vital Strength brand

Total Market % Mix



Domestic Sales Growth %



Markets

High Growth in China

- China increased **+37.3%**, contributing **\$18.3m** in sales growth
- Growth impacted by supply constraints relating to the UHT capacity expansion, this will not be an ongoing issue into FY 2020
- Dairy continued to be the key driver of growth in China
- Continued success with our cereal brands, Arnold's Farm remains one of the top three oat cereals on Tmall International and is sold in more than 4,000 outlets



So Natural Online Flagship Store



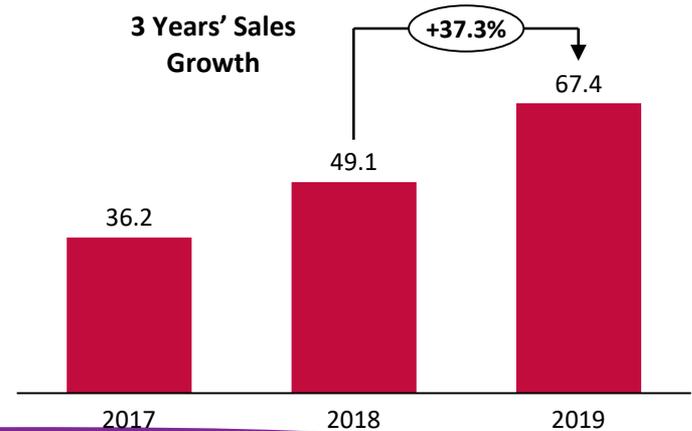
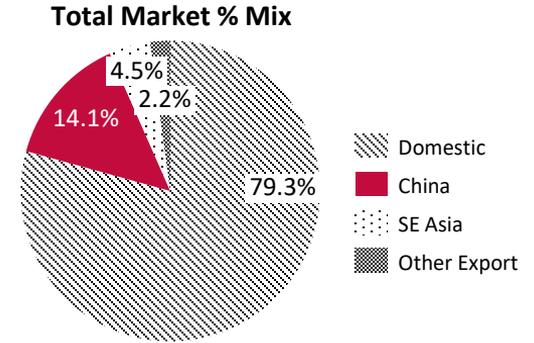
AO Consumer activities



Vitalife instore display



Consumer instore tasting

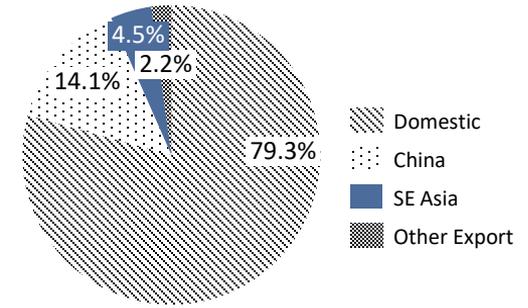


Markets

Exceptional Growth in SE Asia

- SE Asia increased **+178.8%**, contributing **\$13.7m** in sales growth
- Established a local team across key SE Asian countries in FY 2019
- Growth impacted by supply constraints relating to the UHT capacity expansion in Shepparton
- MilkLab and AO Dairy both distributed in the region
- Drinking yoghurt to be launched in FY 2020

Total Market % Mix



Drinking yoghurt store display



AO ranging instore in Vietnam

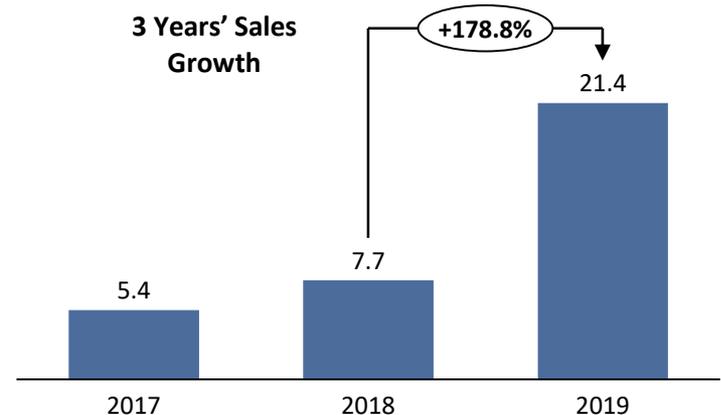


AO Infant Formula instore in Cambodia



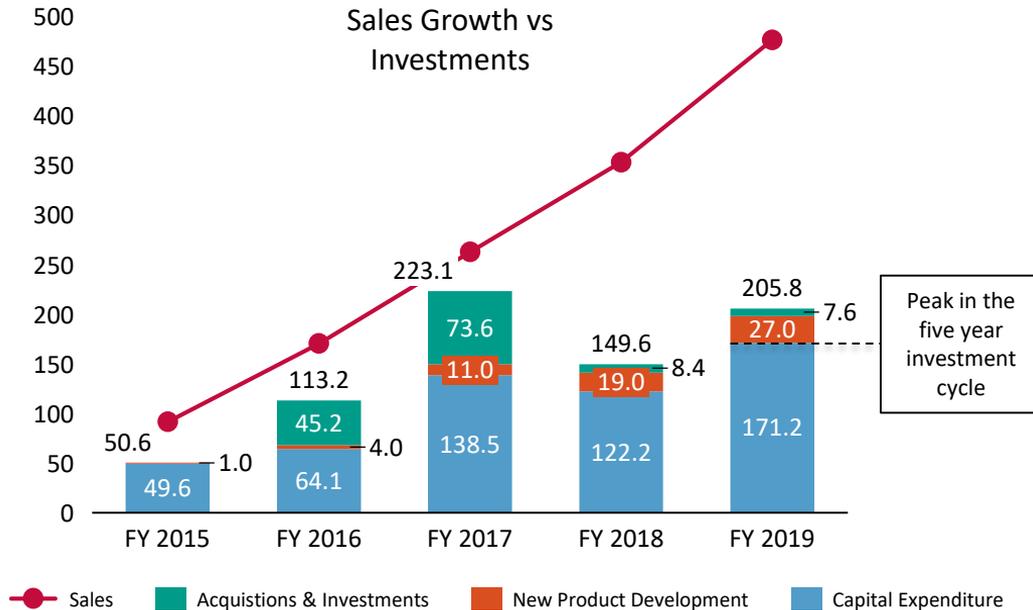
Store display in Malaysia

3 Years' Sales Growth



Investments & Growth

5 years of Investment



FY 2016

- Equity investment in AFMH
- Darlington Point Mill and Dandenong acquisition
- Milklab launched

FY 2017

- Shepparton acquisition
- Power Foods (Vital Strength) acquisition
- Messy Monkeys launched

FY 2018

- Equity investment in JLL (AO Kids Milk China)
- Heritage Mill launched
- AO Dairy launched

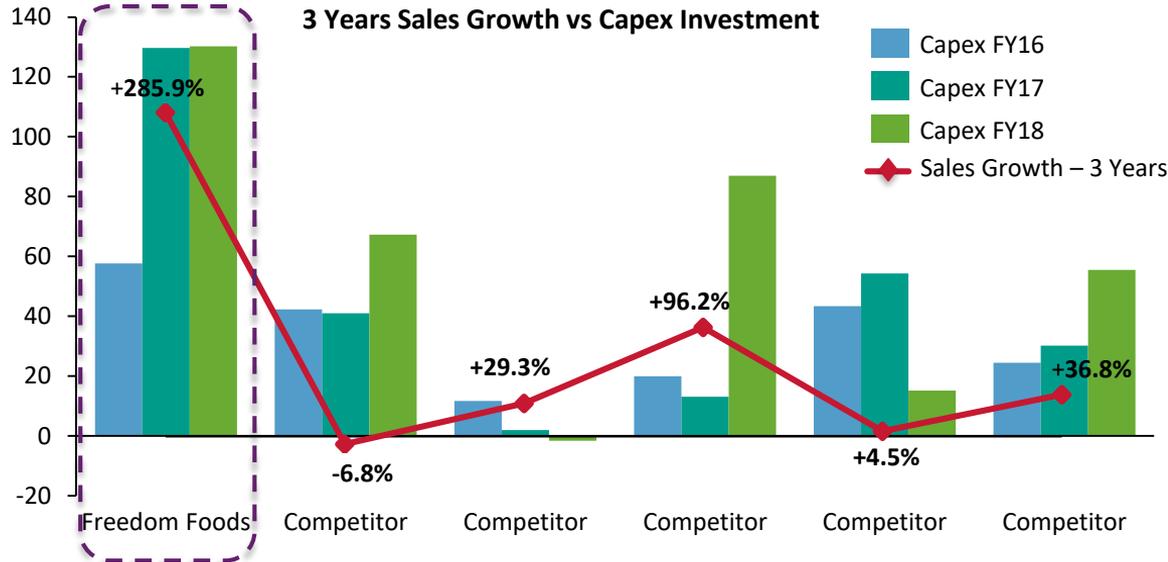
FY 2019

- DNA Brands (Crankt) acquisition
- Equity contribution in AFMH (Coomboona Farm)

Capital investments are expected to be ~\$100m over the next 2 years

Comparative Benchmarking

Capex Investment to Sales Growth



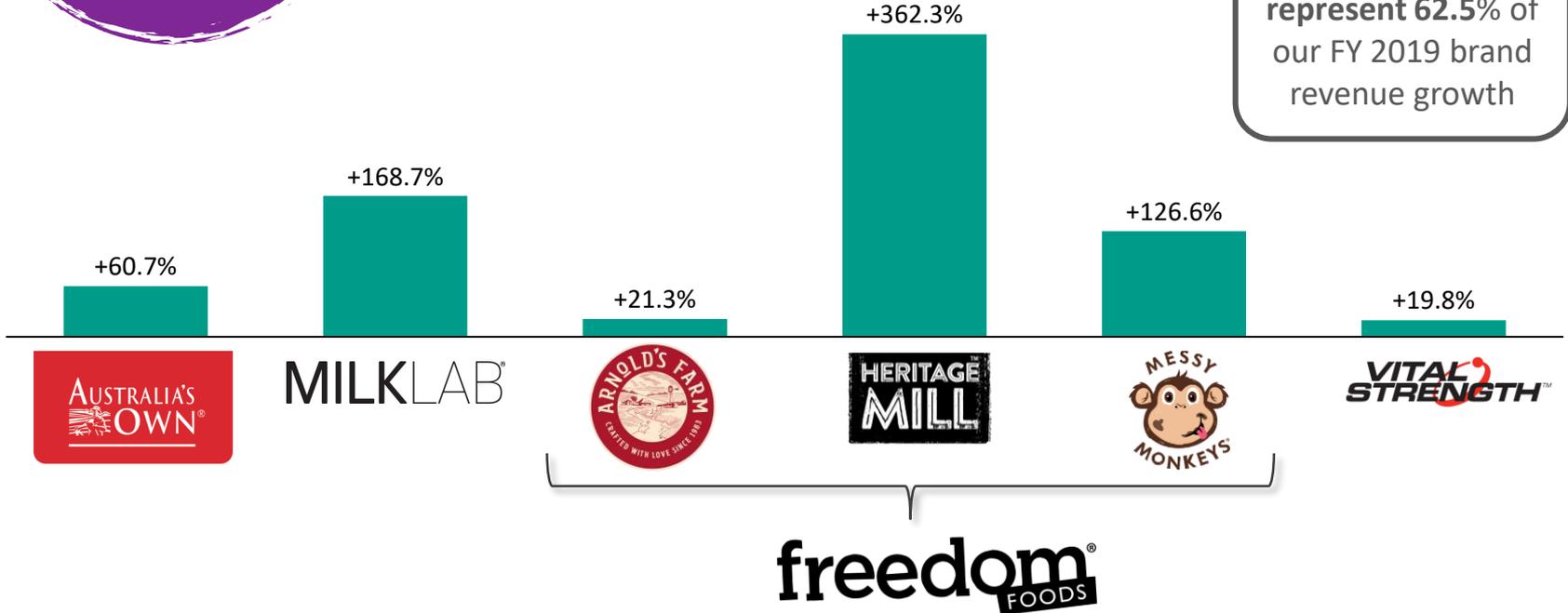
Competitor benchmarks are listed FMCG Companies on the ASX.

- Sales growth benchmarked to other competitors over the past 3 years shows the Group as the industry leader
- Return on the prior 3 years' intensive capital investments is expected to continue to drive growth well above the industry average in FY 2020+

Our Brands

Our focus is on our global & scalable brands

These 6 brands represent 62.5% of our FY 2019 brand revenue growth



Our Brands



- The Australia's Own Dairy & Organic brand increased **+60.7%**, contributing **\$20.4m** in sales growth
- **AO Dairy** was launched under the brand in late FY 2018, already achieving **19.8%** share of the branded UHT milk segment
- AO Kids Milk continues to be the number one selling imported Kids Milk in China, **60+ million** packs sold in FY 2019
- Successful launch of the first pea protein milk in Australia, winning the **AFR Most Innovative New Product** award



Our Brands

MILKLAB[®]

- Milklab increased **+168.7%**, contributing **\$21.9m** in sales growth
- Increasing growth of Out of Home channels and demand for plant based milks has seen increasing demand for coffee milk products
- 2L formats to be launched in FY 2020
- Potential to be a leading **global plant-based beverage brand** in the milk for coffee markets



Our Brands

DO YOU HAVE MILKLAB?

 **kt_duncs** I love the creaminess of the almond milk, and **purposely track down cafes** that use it when I order my coffee!

 **inspiringwit** They just make my coffees **taste better!!** No comparison!!

 **annie90b** It makes my soy lattes **super smooth and tasty!**

 **jda0121** I love my coffee. That's why **I love Milklab.**

 **lisayuuu** Honestly the best **barista blend almond milk** for coffees ☺ I will walk out of a cafe if they don't use milk lab almond milk.

 **a_liceguest** Your almond milk is amazing! So **creamy and delishhh** and **doesn't separate** in my coffee! Game changer ☺

 **_elise_s** You make almond milk that **doesn't taste like almond milk** ☺ .. **nothing compares** to your almond milk !

 **arrostto_paddington** Our customers love your almond milk, **we display it with pride** and suggest it to anyone looking for an alternative! Keep it up!

 **chrisleonen** I. LOVE. COFFEE. ...When I get back here in the Philippines, I'm happy to find local cafés are serving specialty coffee and was looking for **@milklabco** products as well. And **I finally found one retailer** here and **can't be happier.** I make my own latté at home, of course using **@milklabco** milk for coffee ☺

 **baked.desserts** We love you for the **joy we see in customers faces** when they ask which almond milk we do and we reply 'milk lab' ☺

 **lauran.jervis** Macadamia milk. It's nuts. **Absolute game changer.** @lifeatburnsbeachcafe knows where it's at ☺

 **appetite_eatery** **Blends with our beans** just right!

 **tracy_vegh** Your almond milk is the best, I've tried them all & it's the **only one that doesn't ruin** my coffee ☺☺☺

 **amyjane1802** Love the texture and the **full creamy flavours.** Great for baking.

Hi there, **do you have distributor** for your product **here in Jakarta** Indonesia?



 | Instagram

Our Brands

freedom
FOODS

freedom
Making food better FOODS GROUP LIMITED



- Messy Monkey's sales increased **+126.6%**
- No 1 selling "new" brand in the health food section of supermarkets
- Expanded its core range in FY 2019 with popcorn and extruded snacks



- Heritage Mill sales increased materially in its first full year
- Achieved **28.5%** share of the breakfast cluster and muesli category in Coles Supermarkets in its first 18 months



- Arnold's Farm range was expanded late in 2nd half of FY 2019 with new cereal and snack formats



Our Brands



- Vital Strength is recognised as a **leader in high quality** nutrition products
- Strong growth in the **Vital Strength** and **Crankt** brands with sales growth of **+19.8%**
- Crankt was acquired July 2018, gross purchase value of \$3.6m equated to a sales revenue multiple of **0.73x** on FY 2019 sales
- Both brands provide foundations for a **unique vertical integration** to the Group's dairy nutritional capabilities
- Baseline **growth** and **new ranging** in retail supermarket, petrol, convenience chains and pharmacy



Product Development

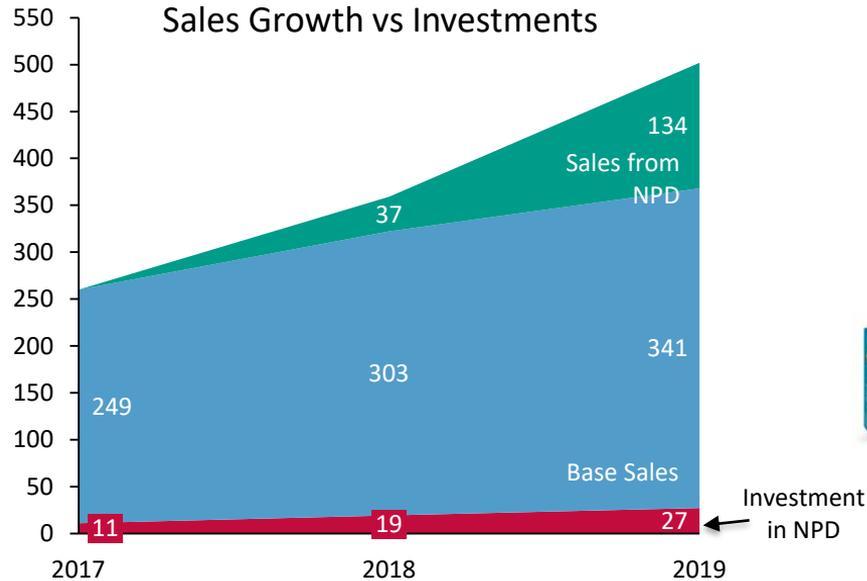


- Nutritionals capability is expected to deliver **material earnings** contribution in FY 2020
- The Group commenced sale of liquid Micellar Casein (MCC) in late FY 2019
- Native Whey Protein Isolate (WPI) and Lactoferrin (LF) will be available for sale from early 1st quarter FY 2020
- **Long-term supply** agreement for LF signed with a **major global pharmaceutical** company in June 2019, with all audit requirements passed to commence supply
- The Group is leveraging its significant and growing dairy capabilities to build a branded high margin product portfolio in specialty nutritional products

Product Development

Sales Growth from New Products

Sales Growth vs Investments



- Sales from new products launched since FY17 equated to **28.2%** of total sales in the year
- Net NPD investment at June 2019 was **\$38.9m**, accumulated amortisation was **\$16.1m**
- NPD investment since FY17 has been **\$57m**, **33.3%** of the value total sales from new products





\$430 MILLION
INVESTED OVER THE
PAST
3 YEARS

One of Australia's leading
Investors in State-of-the-Art
Food & Beverage
Manufacturing Capability

Capital Investments

Nutritionals Update

- **Stage one** of Nutritionals capability was completed in FY 2019
- Ongoing operational capital expenditure will commence in FY 2020 for stage 2 capacity upgrade including:
 - **Increased** protein fractionation (LF, WPI, MCC)
 - Access **new** protein streams (Alpha Lac, IGG)
 - **Additional** protein drying capacity
 - **Expanded** blending and packing facility
- Specialised Nutritionals platform provides for protein standardisation and the ability to manufacture high grade protein components for use in **our branded products** and for sale to strategic customers



Capital Investments

Group Update

- An **investment of \$171m** in FY 2019 (\$130m: FY 2018) reflects a peak in the five year investment cycle with capital expenditure expected to materially reduce in FY 2020, which included bringing forward additional investment planned for FY 2020.
- The key programs in the year implemented included:
 - Completion of a significant proportion of the **Shepparton upgrade** to increase total processing capacity to 500 million litres per annum from current processing capacity of 250 million litres, with expected production to be 350 million litres in FY 2020
 - Completion of stage one of the **transformational Nutritionals capability**, with construction of stage two capacity upgrade commencing in Q4
 - Completion of **yoghurt processing** capabilities during the half year
 - Investment in additional filler and packaging capabilities at **Ingleburn** and automated packaging processes for snacking capabilities at **Leeton**
 - Completion of conversion of old factory facility to new head office in Taren Point



People & Technology

Our People are Talented and Passionate



- Continued investment in people and capability to ensure the Group can implement and manage growth
- Developing our people and talent identification processes to align with the Group's rapidly expanding sales and operational platform
- During the 1st half of FY 2019, the Group recruited a new senior leadership team for its Greater China business reflecting the increasing scale and sophistication of the business and the need for strong business management and administration capabilities
- The Group further progressed the transformation of its IT / ERP systems. Further investments in technology will be made to ensure we increase efficiency and productivity

Sustainability

Energy Consumption

- Installing across the total Shepparton site, the **largest on roof solar battery** project in Victoria
- Carbon offset for this project is in excess of 5,000 tonnes of CO2 or in terms of trees it is equivalent to 1,700 trees being planted
- Solar panels & battery project to be commenced at Ingleburn in FY 2020

Reducing Our Environmental Impact

- Installation of a chemical recovery and **recycling system** at Shepparton
- Significant reduction of sodium wastage into the water system
- Equivalent system is planned to be installed at Ingleburn in FY 2020



Milk Supply

Outlook

- The Group has contracted approximately 400 million litres in FY 2020, with planned production of 350 million litres
- The Group's sourcing model protects farmers from the cycle of volatility experienced by farmers who are working off traditional short term pricing
- Freedom Foods continues to attract farms that are committed to producing premium quality milk under long term partnerships
- The Group has contracts to supply its accelerated plan in FY 20 at fixed milk solid prices
- Paying on milk solid prices means Freedom Foods pays for the percentage fat and protein content in the milk. If there is a higher percentage content of these milk solids, the Group pays more for the milk. This higher cost is offset by the sale of the cream and protein surplus to the UHT requirement



Milk Supply

Australian Fresh Milk Holdings

- The **largest dairy producer** in Australia, forecasted to produce more than **150 million** litres in FY 2020
- Currently completing an **expansion** project at Moxey Farms that began two years ago, increasing capacity from 3,500 to 7,000 milking cows
- Completed the acquisition of **Coomboona Dairy** operation in Northern Victoria
- AFMH is a **strategic partnership** owned by the Moxey and Perich families, in which Freedom has a 10% equity shareholding



SUMMARY FINANCIALS

- Earnings Summary
- Segment Results
- Funds Employed
- Cash and Liquidity
- Impact of New Leasing Standard



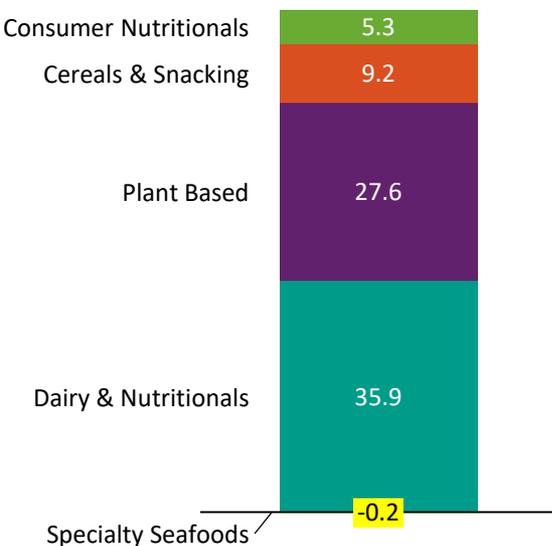
Earnings Summary

- The Group delivered an improved financial performance with higher sales revenue and earnings
- Further investment in innovation, brand and market development assisted in growth in key business divisions and markets
- The full year sales and earnings results did not fully benefit from the key capital expenditure initiatives undertaken since March 2018. The Group expects these capital expenditure initiatives, along with increasing demand, to increase sales and earnings into FY 2020 and beyond

12 Months to June 2019 (\$ million)	2019	2018	% Change
Net Sales Revenue	476.2	353.0	+34.9%
EBDITA (Underlying Operating)	55.2	39.2	+40.9%
EBDITA (Statutory)	42.8	31.5	+36.0%
Net Profit (Operating)	21.9	15.7	+40.1%
Net Profit (Reported)	11.6	12.7	- 9%
Final Ordinary Dividend (cps)	3.25	2.75	-
Final CRPS Dividend (cps)	1.35	1.35	-
EPS (cents per share) Fully Diluted for CRPS)	6.90	6.33	+9.0%
EPS Operating (cents per share) (Fully Diluted)	10.10	9.25	-9.2%
Shareholder Equity	670.9	529.9	
Net Debt/Equity	18.3%	6.8%	
Net Assets per Share (cents)	245.8	217.2	+13.2%
Net Tangible Assets per Share (cents)	192.4	171.6	+12.1%
1 st Half FY 2019 vs 2 nd Half FY 2019 (\$ million)	2019 1st Half	2019 2nd Half	2019 Full Year
Net Sales	209.0	267.2	476.2
Operating EBDITA	21.0	34.2	55.2

Segments Results

Segment Operating EBITDA



FY19 (\$ million)	Dairy & Nutritional	Plant Based Beverages	Cereal & Snacks	Consumer Nutritional	Specialty Seafoods	Others	Total
Total Revenue	249.3	104.9	87.7	19.0	15.3	-	476.2
Revenue Change (yoy %)	+79%	+29%	-15%	+32%	+2%		+35%
EBDITA	35.9	27.6	9.2	5.3	(0.2)	-	77.8
Associate Profits						0.5	0.5
Corporate Costs						(23.1)	(23.1)
Operating EBDITA	35.9	27.6	9.2	5.3	(0.2)	(22.6)	55.2
Trading EBDITA Change (yoy %)	+112.7%	+47.4%	-34.4%	+47.7%	-113.8%		+40%
FY19 Trading EBDITA Margin (%)	14.4%	26.3%	10.5%	27.9%	-1.3%		11.6%

- **Dairy & Nutritional** operations at Shepparton achieved significant sales growth, reflecting increasing demand in Australia, China and SE Asia – Dairy Margins
- **Plant-Based Beverage** operations delivered increased sales, reflecting growth in retail and out of home brands
- The **Cereal and Snacks** operations delivered increased sales in key branded products but with total sales and earnings contributing less than last year reflecting a decision to exit a number of major contract manufacturing arrangements

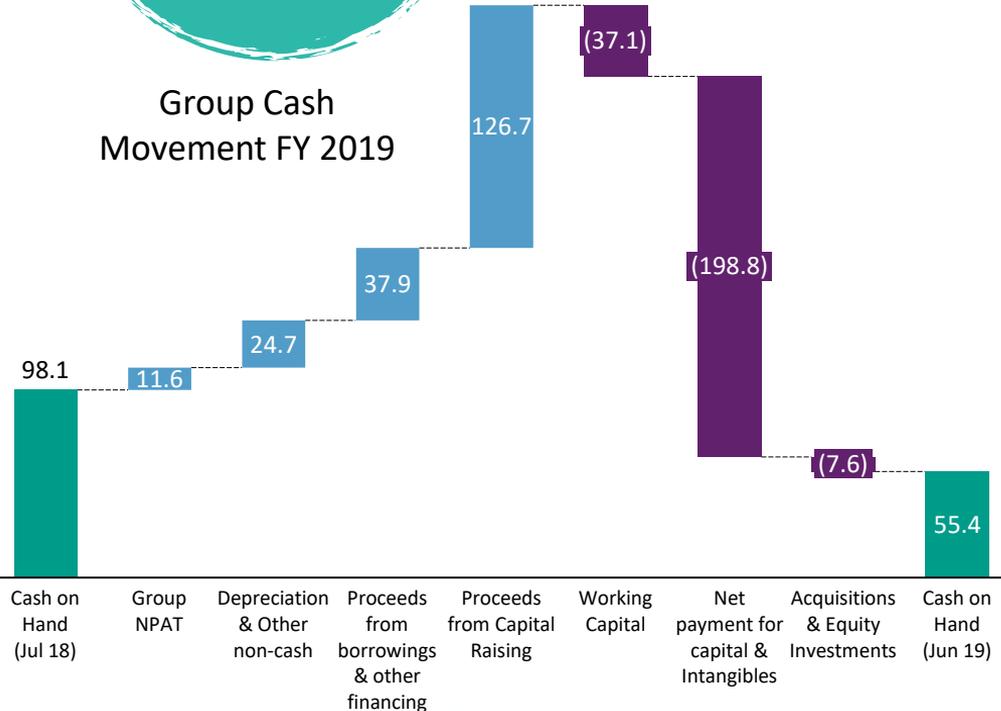
Funds Employed

- **Working capital** increase is broadly in line with significant sales growth. Increase in trade and other receivables of 40% reflects the increase in sales of 35%
- **PPE** increased +\$159.5m, FY 2019 year represents the peak in the five year investment cycle with capital expenditure on PP&E expected to materially reduce in FY 2020
- The increase in **intangibles** is mainly due to the Group's investment in new product development, a total of **130+** new products were launched in FY 19
- **Borrowings** increase of **+43.2m** was largely due to increases in debtor financing and equipment financing
- The Group successfully completed a **+\$130m equity** raising to accelerate its growth strategy

<i>For the period ending (\$ Million)</i>	30-Jun-19	30-Jun-18	<i>Movement</i>
Inventories	120.2	81.1	+ 39.1
Trade and other receivables	87.7	62.8	+ 24.9
Trade and other payables	(111.9)	(88.1)	- 23.8
Working Capital	96.1	55.9	+ 40.2
Property, plant and equipment	548.4	388.8	+ 159.5
Investments accounted for using the equity method	23.8	17.4	+ 6.3
Intangibles	145.9	111.1	+ 34.8
Other non-cash assets	3.5	6.4	- 2.9
Other non-debt liabilities	(24.7)	(13.7)	- 11.0
Total Fixed Assets	696.8	510.1	+ 186.7
Borrowings	177.4	134.2	+ 43.2
Cash and cash equivalents	(55.4)	(98.1)	+ 42.7
Net Debt	122.0	36.1	+ 85.9
Total Funds Employed	792.9	566.0	+ 226.9
Net Equity	670.9	529.9	+ 141.0

Cash and Liquidity

Group Cash Movement FY 2019



For the period ending (\$ million)	2019	2018
Cash generated from operations	11.5	37.0
Net cash from/(used in) operating activities	(0.9)	24.4
Net cash used in investing activities	(206.4)	(73.0)
Net cash from financing activities	164.6	142.5
Net increase/(decrease) in cash and cash equivalents	(42.7)	93.9
Cash and cash equivalents at the beginning of the financial year	98.1	4.2
Cash and cash equivalents at the end of the financial year	55.4	98.1

- **Cash** on hand was \$55.4m and **borrowings** of \$177.4m, with net debt to equity of 18.3%
- Cash generated from **operating activities** was -\$0.9m for the 12 months, cash generated in the 2nd half was +\$23.0m, this positive movement is expected to continue into FY 2020
- **Investment** expenditure largely related to Shepparton 500M expansion, stage 1 Nutritionals and new product development of \$27m. Total PPE was \$171m, which included bringing forward additional investment planned for FY 2020
- The Company received **financing** from borrowings and equity raisings to help support its accelerated strategy plans

AASB 16

Impact of New Leasing Standard

- AASB16 will be adopted from FY20 with no restatement of prior years.
- Land and buildings form the majority of the Group's operating leases.

Key Financial Impacts:

- The new lease standard will significantly change the Group's reported results but there will be no economic impact to its cash flow, debt covenants, dividends or shareholder value
- AASB brings the majority of leases on balance sheet as right of use assets with a corresponding lease liability also being recognised
- EBIT and EBITDA increases materially as a result of operating lease expenses being replaced with greater depreciation and finance charges
- The Group's financials going forward will reflect both the statutory result and the underlying result excluding the impact of this new standard

Financial Impact (\$ million)	Day 1	30 June 20 (FY20)	
Right-of-Use Assets	130.5	121.8	↑
Right-of-Use Liabilities	130.5	128.6	↑
Net Assets	-	(6.8)	↓
EBDITA	-	+ 13.5	↑
PBT	-	(6.8)	↓

OUTLOOK



Outlook

- The Group is well positioned to build into a major global food and beverage business with scale in key food and beverage platforms, providing diversification in sales, together with earnings growth, from key **markets and channels** in Australia, China and SE Asia
- Our **key brands** Australia's Own and Freedom Foods will be at the forefront of driving our returns from our innovation and manufacturing capabilities in Australia and international markets, together with our new successes, MilkLab and Messy Monkeys
- With the completion of stage 1 of a **transformational Nutritional capability**, the Group will continue to evolve its scaled dairy capabilities into high value added protein based ingredients and consumer applications
- **Revenues and Operating profits** will increase as the Company moves out of the investment cycle, balanced against a requirement to invest in people, systems and process to manage a scaled and diversified business platform





freedom GROUP
Making food better FOODS LIMITED

Building a Major Global Food & Beverage Company from Australia

MAKING FOOD BETTER