



ASX Announcement

31 August 2020

FOD delivers 32% revenue growth in FY20

The Food Revolution Group Limited (ASX: FOD, or 'the Company') is pleased to report its full year results for the period ending 30 June 2020

Financial Highlights

- Group gross sales revenue of \$42.2m (up 31.9% vs \$32.0m in FY19).
- Beverage revenues of \$36.6m (up 14.1% vs FY19) reflecting the strength of sales from the Original Juice Black Label brand. Group gross sales include \$5.6m of revenue from hand sanitiser products.
- Operating EBITDA loss of \$5.5m (improvement of \$6.1m vs FY19). The improvement in EBITDA position was driven by a combination of increased revenue and reduction of operational & administration expenses.
- Normalised FY20 EBITDA (excluding once offs/impairments/impact of COVID-19) was a loss of \$1.1m.
- Cash position of \$2.9m as at 30 June 2020.

Operational Highlights

- Appointed Tony Rowlinson as CEO.
- Acquisition of the established Original Juice Co Black Label brand (OBL) from Heinz to complement FOD's existing functional beverage range.
- Launch of 12 new Original Juice Company (OJC) products into major Australian supermarkets delivering strong volume and positive customer feedback.
- Hand sanitiser sales highlighted the company's agility and ability to capitalise on market opportunities.
- Construction of a 'state-of-the-art' clean room facility at Mill Park site helps position FOD to be a major producer of nutraceuticals and natural health supplements across high-end marine collagens, plant-based wellness powders and protein gels.
- Identified initial operational improvements of over \$2m, with an ongoing focus on process streamlining and logistics to deliver further savings.
- Installed line performance management software to improve efficiencies of Mill Park operation.
- Commenced discussions with major customers, with expected improved trading terms for FY21 to commence from September 2020.

Food Revolution Group CEO and Managing Director Tony Rowlinson commented *"The fresh fruit juice market enjoyed a period of strong growth over the past 6 months as consumers sought vitamin enriched and functional beverages to help build their immunity system. FOD remains well-positioned*

to continue to grow market share in the sector. The acquisition of the well-known Original Juice Company delivers FOD an iconic Australian Brand to complement our product portfolio and provides an exciting avenue for future growth in the functional beverage category.

Whilst FOD product sales in FY20 were strong, the fresh juice category experienced unprecedented challenges during the year. The orange juice industry was significantly impacted by short supply and elevated orange costs, brought on by the 2019 summer droughts and fires in NSW. COVID-19 also contributed to higher prices via labour shortages in the fruit picking season and retailer distribution challenges impacting supply. To remain resilient to supply factors, FOD has secured supply and agreed prices for next 24 months from 200 major domestic orange growers.

Commissioning trials at the new state-of-the-art Mill Park facility have been successful and we look forward to launching our range of plant-based wellness supplements and marine collagen products into the Chinese and Australian markets in the second half of CY20.

The imminent launch of a range of fruit-based wellness shots and plant-based wellness beverages under the Juice Lab brand is also extremely exciting for FOD's future.

Whilst the brand, sales volume and revenue growth of our company are in robust health, there is much to do internally to deliver operational efficiencies, improving our margins and lift our profitability. An extensive review of our operations highlighted multiple cost-saving opportunities across improved through-put, better management of downtime and increased juice yields. We have also identified numerous supply chain improvements.

There remains a significant amount of upside in the company with our entry into the Chinese Health and wellness markets, the strength of our Original Juice Company brand, new product pipeline, streamlining of our domestic juice portfolio and continued drive for operational improvement.

Building our team's capabilities and creating a winning culture will ensure we are successful in creating shareholder value. I look forward to updating the market later in the year on the development and rollout of our key strategic priorities."

Financial Review

Revenue and Sales volume

FOD juice business grew to \$36.6m up 14.1% vs \$32m in FY19. The strong revenue growth was supported by the relaunch of the Original Juice Company Brand. The acquisition has been a success with the number-one Brand, Original Black Label (OBL), growing at 22% vs market growth of less than 3%.

The planned extensions for OJC Brands have been well accepted by the market with new ranges now positioned at the major retailers. The OJC now has variants across:

- Pressed fruit & vegetable
- Quenchers
- Functional juices

Based on FOD's juice capabilities across innovation, manufacturing and procurement, the company is also a leading supplier of House Brands for the major retailers in Australia.

In executing overall strategy to deliver a more profitable sales mix, FOD will not engage in any contracts that do not deliver desired margins. This may lead to lower sales but improved margins.

During the year, the Company took the opportunity presented by the COVID-19 pandemic to launch a range of hand sanitisers. The product line delivered \$5.6m in revenue and exceeded initial sales expectations. The strong demand resulted in FOD having to use 3rd party manufacturers to meet the higher demand.

Gross Profit & Margins

Cost of goods related to juice sales increased by 18.0% as compared to 14.1% growth in revenue. The increase in COGS resulted in gross margins declining for juices from 28.9% to 15.7%.

Key factors impacted the unexpected COGS increase/gross margin decline:

- The price of Valencia oranges increased from \$350/ tonne to \$650/tonne due to the drought and fires. (Oranges account for over 50% of total COGS).
- With no grower contracts in place, FOD was forced to pay a premium for oranges in sourcing supply from Brazil and trading on the Australian spot market.
- The acquisition of the OJC Brand from Heinz also changed the COGS responsibility. Prior to the acquisition, FOD contract packed OJC brands for Heinz and as such raw material price increases were passed through.
- A \$0.6m write-down of inventory value.
- With acquisition of OBL brand, FOD now accountable for volume rebates and trading terms.

The Company has engaged with all major retailers in addressing trading terms and price increases for OBL Brand and House brand contracts with expectation that improvements will commence from late September onwards.

The rollout of the premium wellness ranges commencing in September will also assist in delivering the Company a more profitable product mix. Higher retail prices, secured raw material supply and performance improvements will drive significant gross margin improvements in FY21.

Strong cash position and the Balance sheet

As of 30 June 2020, the company had \$2.9m of cash at bank. Drawn debt as at 30 June 2020 was \$7.6m unchanged versus FY19.

Operational highlights

Original Juice Co acquisition

FOD acquired the Original Juice Co Black Label (OBL) from Golden circle in September 2019 (ref ASX release 4 September 2019). The acquisition allowed FOD to leverage the well-known & established Australian brand to innovate and develop new products for the Australian and overseas markets. The acquisition of OBL cost \$1m and delivered \$22.2m of sales for FY20.

OBL continues to position FOD as a leading player in the fresh juice beverage market. The functional beverage market remains a rapidly growing sector within the broader beverage industry. The re-launch of the Original Juice Brand continues to deliver strong growth. 12 new variants launched into Coles supermarkets have performed above expectations. The Company has recently rolled out three

new variants into Woolworths with positive initial sales data. Despite the impact of COVID-19 on the broader retail environment, momentum to juice sales has remained strong.

Consumers are seeking healthier alternatives to the traditional beverage market and FOD is well placed to grow significantly in this section of the market. The launch of all-natural juice-based wellness shots and beverages under Juice Lab brand has been well received by the majority of retailers with the expectation that they will be ranged at the next round of retailer's category reviews.

Mill Park Clean Room

Commissioning trials at the new state-of-the-art Mill Park facility have been successful and the Company will be launching a range of plant-based wellness supplements and collagen products in the second half of CY20. The first product to launch will be Eridani, a premium range of Marine Collagens that have the benefits of improved appearance of skin, hair and nails, boost metabolism and reduce inflammation. These products are to be launched in September FY20 with further lines to follow. Eridani will be the first Brand to flow into established Chinese Distributor network.

Focus on operational efficiency

Post the end of the year (ref ASX release 28 July 2020) the company announced a focus on improving operational efficiency. Post the comprehensive review, the company has identified key areas for improvement.

Key areas of operational improvement include:

- Improving line performance, reducing downtime and increasing product throughput. The company has installed industry-leading OFS software solutions that integrate manufacturing performance data to deliver sustained operational excellence.
- A juice recovery plan has been commissioned to reduce the amount of waste generated by the manufacturing process. Limiting waste and increasing utilisation of raw materials will significantly improve operating margins.
- Identifying labour savings through better managing our peel wastage process.
- A utility saving project that focusses on our internal flow process and management of our utility suppliers to reduce energy costs. Initial improvements in gas usage have delivered calendar YTD savings in excess of \$50,000.
- Introduction of a Homogenising pulp usage process is also expected to deliver a substantial reduction in the cost of goods.

Outlook

FOD team is committed to delivering acceptable profits for the company moving forward. The major focus is on executing the FY21 plan, delivering quality functional beverages and fast track launch of wellness supplements aimed at the Chinese and other export markets. Key deliverables for the FOD management team:

- Provide a safe working environment
- Build meaningful relationships across all stakeholders....shareholders, consumers, customers, suppliers and associated industry bodies
- Ongoing innovation and speed to market
- Execute identified cost-saving and operational efficiencies
- Create a high- performance culture based on transparency, trust and respect
- Establish FOD as a leading supplier of nutraceuticals into Chinese and other export markets

- Build brand franchise in effectively engaging with consumers across the brand portfolio - OBL, OJC, Juice Lab and Eridani
- Establish FOD as the supplier of choice with the major retailers

This announcement was authorised by FOD Board

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About The Food Revolution Group

The Food Revolution Group Limited (ASX: FOD) is an Australian-based food processing company that uses a combination of conventional juice processing equipment and custom-developed equipment and processes to manufacture a range of high-quality juices, fibres, infused fruits and fruit waters that are sold as branded products or ingredients to customers domestically and overseas.

FOD uses a range of processing technologies, including Current Counter Extraction (CCE) technology which was developed in conjunction with Australia's CSIRO to extract juice from fruit and vegetables. Its processing facilities are located in Mill Park, Victoria.

FOD is aiming to generate shareholder value through exploring opportunities for growth in the functional food, beverage and nutraceutical markets in Australian and key international markets, including China.