



**THE FOOD
REVOLUTION
GROUP**

ASX Announcement

25th February 2020

FOD Audited results 1HFY21 sales up 24% delivering EBITDA of \$2.2m

The Food Revolution Group Limited (ASX: FOD, or 'the Company') is pleased to update the market on activity levels for the 6-month period to 31 December 2020.

Financial Highlights

- Total sales up 24% to \$22.2m and EBITDA of \$2.2m versus \$0.2m in the PCP.
- The turnaround in financial performance reflects the improved trading conditions, increasing sales volumes and operational efficiencies.
- Total juice sales for 1H FY21 of \$20.7m up 15% on the previous corresponding period (PCP) driven predominantly through the successful re- branding of Original Juice Co brand.
- Cash of \$2.94m at 31 December 2020.
- Successful placement & SPP of \$4.5m to support the rollout of new product and further operational efficiency initiatives.

Operational Highlights

- The significant revenue uplift over the period was driven by organic growth, an increase in retail prices received in September 2020 with all major retailing customers for Original Black Label (OBL) and other OJC juice products.
- OBL brand outperforming the market growing at 18.4% over the period, with broader juice market growing at 3%.
- New products accounted for \$1.5m in additional sales
- OBL brand now being sold in South Australia via independent retailers across Metcash, Drakes and Foodland.
- FOD's new product range of Juice Lab Wellness shots listed in Coles, Ritchies, Drakes, Foodland and Metcash with product to be on shelves from February 2021.
- The outstanding Tranche 5 payment from Careline has been resolved with FOD non -associated Careline independent directors determining that it is in the best interest of the company to waive the requirement for Careline/ Dr Norman Li to complete the 5th tranche.

FOD delivered a positive EBITDA for the period generated via improving juice volumes, strengthening prices, security of raw material supply and a focus on operational efficiencies and cost control. FOD is well positioned, to continue to deliver improved financial performance in FY21.

Food Revolution Group CEO and Managing Director, Tony Rowlinson, commented *“It is extremely pleasing to deliver an EBITDA of \$2.2m over the period. The transition to a positive EBITDA is a reflection of the strength in consumer demand for our product and displays the impact of an efficient operational performance that the FOD team has executed over the period.*

The strong sales for our Original Juice Co brands, up over 18% over for the past 3 quarters, reflects the growing consumer demand for fresh and healthy juices (especially oranges) with increased importance on vitamin enriched and functional beverages to help build the immune system. The rollout of 50% less sugar OBL range as well as Probiotic variants have also been well accepted by the consumer.

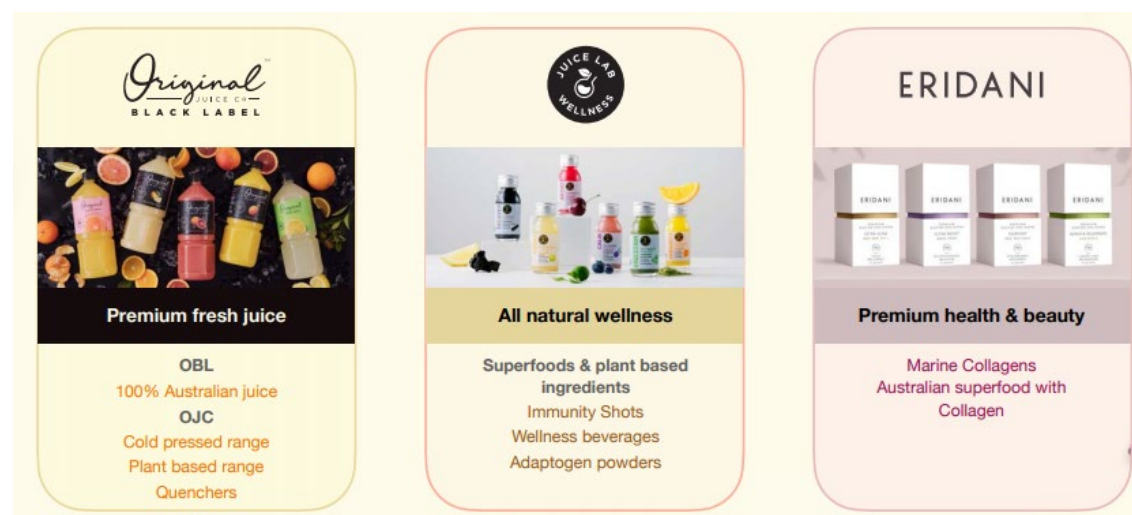
Importantly the manufacturing and supply chain teams have continued to focus on identifying and executing operational performance initiatives. We have increased the production through-put at the Mill Park facility, reduced waste, lowered overall labour costs and driven significant operational efficiencies through our company. The company is committed to the continued pursuit of operational excellence and we expect to continue to improve our efficiencies in coming periods which will continue to enhance our overall financial performance.

Our balance sheet has the flexibility to increase the profile of our Original Juice Co and Juice Lab products as well as deliver new product range to the market in coming periods to drive further growth. I would like to thank all our staff for their efforts over the period and I look forward to updating the market to the continued execution of our strategy of building a leading functional beverage and wellness company.”

Financial and Operational Review

FOD continues to execute on our ambition of being a leading provider of beverages, functional foods, nutraceuticals, and wellness supplements that improve the quality of consumers lives in the use of all-natural ingredients.

Figure 1: FOD product Range



1H Fy21 net cash from operating activities as an outflow of \$249,525, a significant improvement on the outflow of \$3,863,924 in 1HFY20 as increased sales, operational efficiencies and reduced costs improved the cashflow position.

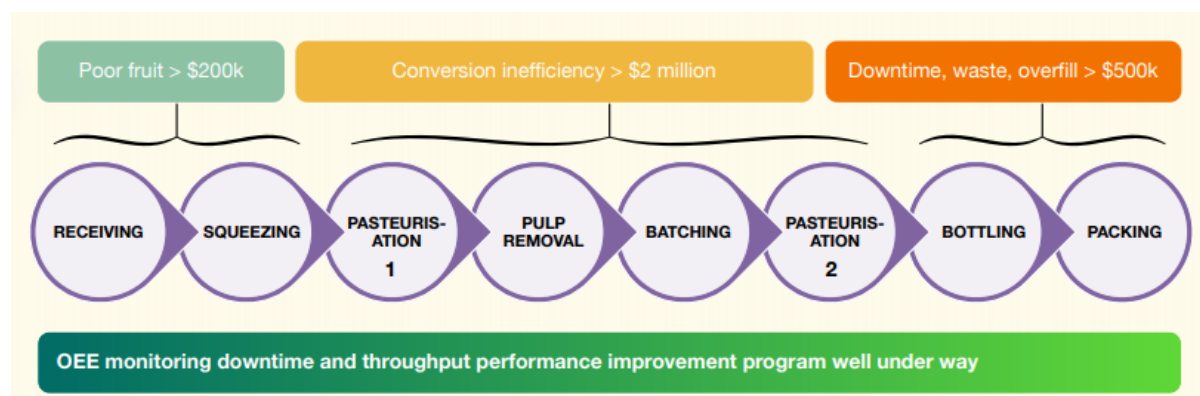
Cash at bank as at 31 December 2020 was \$2.9m.

Operations

The improving consumer demand for our product and revenue upside increase is being matched by our internal pursuit of operational efficiencies. Since the initiatives began in mid-2020 we have delivered over \$600k of operational efficiency cost savings.

The factory performance continues to improve with a 27% reduction in labour cost per litre of production. Throughput via converting manufacturing lines has increased by over 29% and downtime has improved by 18%.

Figure 2: Operational Efficiency Program



Product and Channel Development

FOD continues to deliver new product ranges aimed at the functional beverage and wellness market. Major product initiatives include:

- OBL Fastest growing major orange juice brand driven by excellent quality fruit and consumer focus on immunity.
- New Original Juice Co Quenchers, 50% less sugar and Probiotic variants to drive new sales.
- New distribution availability in SA will positively impact revenue in future quarters.
- Newly launched ranged Juice Lab Wellness range of shots listed in Metcash & Coles with product to be on shelves from February 2021.
- Eridani a premium range of Marine Collagens rolling out on Chinese ecommerce platforms.
- Juice Lab Carbonated Wellness Drinks are being presented to all major petrol & convenience outlets including 7- Eleven, Coles Express, Ampol, Woolworths Metro & BP. FOD see a significant opportunity for the Juice Lab to offer a healthy alternate in the \$3bn carbonated beverage market.

Other Matters

Tony Rowlinson the Managing Director / CEO has committed to a minimum 3 year term and his incentive plan and remuneration will be aligned accordingly.

Steven Cail, has been appointed CFO effective 4th March 2021. Steven joins us from Wesfarmers/ Target where he was Head of Logistics for Target. He has had extensive FMCG and retail experience having held senior positions at Bright Food, Carter Holt Harvey and Holden.

Resolution of outstanding Tranche 5 payment from Careline

The non-Careline associated Board members formed a sub-committee and did take independent legal and commercial advice on this matter.

Key areas for consideration were the current financial performance, latest successful capital raising, contribution of Careline / Dr Norman Li to the business to date, as well as their significant investment to date, circa \$15million.

Accordingly, taking all of this into account the non-Careline associated Board members have decided that it is in the best interests of the Company to waive the requirement for Careline / Dr Norman Li to complete the final tranche. In consideration of this the company and Careline / Dr Norman Li agree the following course of action:

- All performance-based shares and options remaining in the agreement are relinquished.
- Dr Norman Li / Careline will escrow all of their shares for 12 months as a sign of their commitment to growing the company and expanding Asian sales for the company's products. Dr Norman Li has expressed to the Board that he and Careline are committed for the long term.
- Dr Norman Li / Careline will transfer any shares not directly owned and controlled by Dr Norman Li or Careline to the ultimate beneficial owners. These are mainly co-investors and distribution groups that are assisting with Careline's FOD distribution execution. The shares are being separated from Dr Norman Li / Careline's holding as Dr Norman Li / Careline will be escrowing their FOD shares.
- Dr Norman Li and Careline have committed their resources and that of C-mart (ecommerce platform) to manage and sell FOD's brands into Asia and China. Careline has substantial infrastructure in China and has made these resources available to FOD. Some of the previous forays into the China market have been hampered by quality issues, with the products not surviving shipping to China. This has now been rectified with a new ambient line of products which will now be promoted into Careline's distribution partners in China along with the functional health products from the new clean room. The quality of products and Export strategy are now aligned with FOD having the manufacturing capability to supply Chinese and other Asian markets where Careline has distribution capabilities.
- Regarding the Board structure, all parties have agreed to the appointment of independent directors to assist in the corporate governance and assisted management of the business. The intent is for new Board appointments to have FMCG as well as public company experience. The Board restructure will involve the possible retirement of some directors and will include a review of the leadership of the Board.

Outlook

The Company remains focussed on delivering shareholder value in being a leading provider of beverages, functional foods and wellness supplements that improve the quality of consumers' lives.

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.