



HRL Holdings Limited
Level 12, 145 Eagle Street
Brisbane Queensland 4000, Australia
GPO Box 216
Brisbane Queensland 4001, Australia
Tel +61 7 3105 5960
Email admin@hrlholdings.com

ASX Announcement

22 October 2020

2020 AGM Addresses to Shareholders and Trading Update

Please find attached on behalf of HRL Holdings Limited (ASX: HRL) the Chairman's address and the CEO's address to be delivered today to the shareholders at the Company's Annual General Meeting to be held at 11:00 am (Brisbane time) at Level 7 Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000.

This announcement has been approved by the Board

Paul Marshall
Company Secretary
HRL Holdings Ltd



**Greg Kilmister
Chairman
HRL Holdings Limited**

Annual General Meeting - 22 October 2020

This is my second year addressing you as Chairman of HRL. I wish to acknowledge the directors of the Company in the placement of their faith in me to chair this company into the next phase of its development, as HRL cements its place as a significant player in the Australian and New Zealand testing, inspection and certification markets.

I will take the formal accounts for the Company for the 2020 Financial Year as being read.

Now I will make some general comments about the 2020 financial year before handing over to our CEO, Steve Dabelstein, who will provide a more detailed overview.

We started the 2020 financial year with the momentum of the strong second half of the 2019 financial year:

- seeing a return to profitability of all business streams;
- the execution of our strategy to broaden our market penetration through new technologies;
- an engaged enthusiastic staff built around a positive culture;
- and importantly a motivated and capable management and executive team.

The first half of last year to December 2019 saw revenue up 15% to \$16.3 million and underlying EBITDA up 265% to \$2.6 million. The momentum going into the June 2020 half year was strong...and then COVID-19 hit in February.

To a large degree our future was taken out of our hands and I therefore want to address how your company reacted to COVID-19 and the uncertainty that it created.

Our priority was the safety of all our staff and a determination to protect as many jobs as possible whilst not putting the Company at risk. Staff at all levels rose to the occasion, with Steve Dabelstein ably leading by example. Staff embraced different working hours; disruption to start and finishing times, and days worked. Everybody pulled together as a team. The focus was on generating as much work as possible and ensuring our clients had a positive, supportive, professional interaction with HRL during these unprecedented times. Executives, whilst working longer hours during this time, accepted a 20% cut in remuneration in the final quarter, as did the non-executive directors of your Board. On behalf of all shareholders I acknowledge this sacrifice and recognize it as a deep commitment to the company and the journey we are on. I thank the executives and managers for "stepping up to the plate" during this time. I would also like to acknowledge the financial support given by the Australian and New Zealand governments in ensuring we navigated the significant initial changes in work volumes without damaging the long-term potential of the company and protecting staff. All these activities combined to see HRL deliver a very pleasing financial result for the full financial year ending June 2020 with revenue up 7% to \$32.8 million and underlying EBITDA up 24% to \$6.9 million.



Now to the future. HRL has settled into the new norm of the economic environment in which we now operate. It is now time to get on with the job. We have reactivated our search for suitable acquisitions that bring real long-term value to the company. Just as importantly we are actively pursuing organic growth opportunities in new sectors, new geographies, and new services. We have the Balance Sheet to embrace all these short and mid-term opportunities, as well as a capable management team with the skills to execute on these strategies. I am confident in the year ahead. The new year has started well, and Steve will provide some colour around Financial Guidance for the first half as part of his address.

It is important that your Board has the right mix of skills and experience. To that end, I wish to welcome Richard Stephens to the HRL Board. His experience, capabilities and insights will be of significant value to the future development of HRL and he is a great cultural fit for the company. I am sure shareholders will enthusiastically support Richard's formal election to the Board later in this meeting. I also want to make mention of the positive contribution of Tracy Dare during her tenure as a non-executive Director.

I wish to thank our CEO, Steven Dabelstein, the Executive and Management team at HRL and also all of our valued employees in the individual business units in both Australia and New Zealand for their diligence, enthusiasm and commitment throughout the past year. Once again, we are a better, stronger company for the experiences of the last year. That experience will hold us in good stead through the coming years. I am confident that HRL Holdings is in an excellent position to embark on an exciting period of growth and development in the years to come.

Finally, and importantly, I would like to thank our loyal shareholders, clients and suppliers for their support throughout the past year, and I would like to assure all stakeholders that we are working very hard to increase the value the company delivers.

I am now pleased to invite our CEO, Steven Dabelstein, to provide his report to you.



Steve Dabelstein
CEO
HRL Holdings Limited

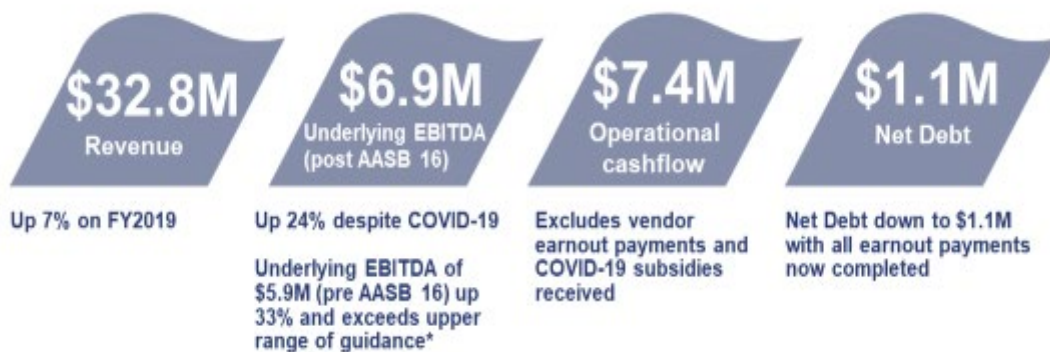
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HRL returned a strong performance for the first 9 months of FY2020 exceeding internal budgets and was on track to achieve full year broker consensus at the time. However, the fourth quarter was heavily impacted by the effects of COVID-19. The stage 4 lockdown in New Zealand resulted in many of HRL's New Zealand operations being unable to trade, and demand weakened in the Australian businesses. Despite this 4th quarter disruption, the overall financial performance of the group was an improvement on FY2019 across all key metrics:

- Revenue \$32.8M (up 7%, FY2019: \$30.8M)
- Underlying EBITDA \$6.9M (up 24%, FY2019: \$5.5M)
- Underlying NPAT \$2.5M (up 61%, FY2019: \$1.5M)
- Cashflow from operations \$7.4M (up 116%, FY2019: \$3.4M, excluding subsidies received and vendor earnouts)



FY20: SOLID FINANCIAL PERFORMANCE IN UNPRECEDENTED TIMES



*June guidance range of \$5.5M – \$5.8M (pre AASB 16)

HRL - Investor Presentation / Full Year Results June 2020 | 9

While all business units were performing well leading into COVID-19, the standout business unit in the 4th quarter was the New Zealand food laboratory which was deemed an essential service by the government and continued to trade. To keep our staff safe, we made some operational changes to our teams which delivered a continuity of service for our clients in the honey, dairy and food origin segments.

Our FY2020 strategic objectives were substantially fulfilled as we:

1. Increased organic service development with a focus on scalable laboratory-based services.
2. Integrated the business units HR, IT, finance, and support services.
3. Grew earnings from the data management / software division.
4. Secured new laboratory facilities for HRL's main Hamilton New Zealand operation to facilitate long term growth and improve workflow efficiencies.
5. Supported HRL's Joint Venture investments and partners to realise their strategic potential.
6. Focused on a return to FY2018 levels of profitability by continuing to replace the earnings gap from the decline in demand for property contamination testing.

OUR FY2020 DELIVERABLES

What we said

- Increase organic service development with a focus on scalable laboratory-based services
- Integrate the business units HR, IT, finance and support services;
- Grow earnings from the data management / software division
- Secure new laboratory facilities for HRL's main Hamilton NZ operation to facilitate long term growth and improve workflow efficiencies
- Return to FY2018 profitability, replacing earnings gap from decline in property contamination testing

What we did

- New microbiology, GLP and expanded environmental services launched
- Single HR, LIMS for Analytical laboratories and finance systems across the group
- Revenues up +21%
Underlying EBITDA up +87%
- New laboratory space identified. Uptake deferred to minimize cost impact during COVID-19
- HRL was on-track pre-COVID to hit the full year broker consensus of \$7.2M



Foodlab Pacific, a joint venture between HRL and Milktest NZ, remains on track with green fielding the new dairy product testing laboratory. The business has successfully completed several milestones which include laboratory establishment, initial method development, accreditation applications and early sales and marketing activities. First revenues continue to be expected in calendar 2021.

HRL has an unwavering commitment to our social responsibility and are pleased to report the following key milestones:

- Health and Safety - Our ongoing focus on staff health and safety has successfully resulted in no reportable injuries in the second half.
- Workforce Diversity - We value gender diversity and are proud to report that our workforce now includes 48% female representation.

We are conscious of the environmental impact of operating our businesses. Our recycling and diversion initiatives at our laboratories continue to drive waste reduction.

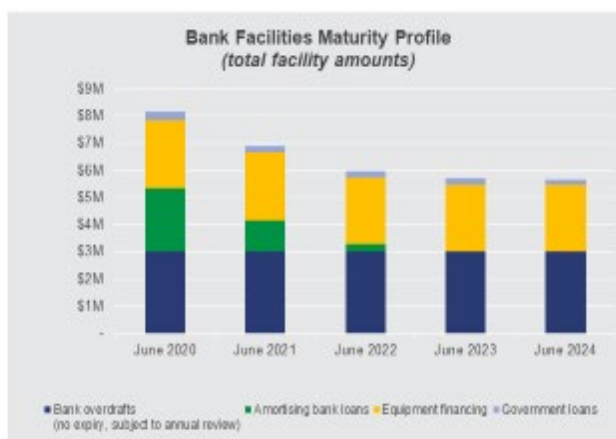


HRL has built a strong balance sheet with just \$1.1M net debt at year end. The Analytica vendor earnout was completed during the year, allowing for free cashflow to be used to accelerate organic growth.

The Group will continue to evaluate acquisition opportunities of high-quality businesses within the food, agriculture, and environmental services sectors and across other complimentary industries.

DEBT METRICS

	June 2020
Banking Covenants	
Debt service cover (min >1.5x)	3.2x
Debt to EBITDA (max 200%)	66%
Debt/Equity Mix	
Net Debt	\$1.1M
Total Equity	\$26.0M
Bank Facilities	
Total available facilities	\$8.2M
Total undrawn facilities	\$4.3M



TRADING UPDATE AND GUIDANCE

We are now just over three months into the new financial year, and it is therefore appropriate to provide some commentary around our expectations for the first half of this new year. Whilst it is always difficult to predict future market conditions, we are pleased by the business units' current levels of trading since COVID-19 restrictions largely eased in most of our operating geographies.

- **HAZMAT Division** – continues to show improvement each month since COVID-19 shutdowns eased, with a high level of activity across our corporate, utilities and government segments.
- **Laboratory Division** – food and GLP testing continues to grow, offsetting some flat demand in the environmental segment.
- **Geotech Division** – local residential land developments underpin a strong orderbook leading into the end of calendar year, although a forecast La Niña is a risk for site access. Job Keeper subsidies finished at the end of September.
- **Software Division** – the underlying nature of the contracted SaaS (Software as a Service) revenues provided a resilient base to build from, with sales activities increasing as access for client visits improves.

For the first quarter of the current financial year we have seen:

- Revenue at the same level as the first quarter in FY2020, demonstrating a strong return of volumes across the organisation.
- More importantly the Company's underlying EBITDA, in what is traditionally the off season for the main business in New Zealand, is tracking ahead of prior year and in line with analyst consensus.

The Board expects underlying EBITDA in the December half year to be in the range of \$3.2M to \$3.5M (H1 FY2020: \$3.08M). This guidance assumes no material change in market activity levels, foreign exchange rates or material adverse events in the Company's business activities.

MARKET OUTLOOK FOR FY2021



Thank you.