

30 April 2021

The Manager
Market Announcements Office
Australian Securities Exchange Limited
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Appendix 4C and Quarter Ended 31 March 2021 Activity Report

Freedom Foods Group Limited (**ASX: FNP**) attaches for release to the market pursuant to listing rules 4.7B and 4.7C:

- Appendix 4C
- Quarter Ended 31 March 2021 Activity Report

Investor inquiries:

Justin Coss
Company Secretary
Freedom Foods Group Limited
+ 612 9526 2555
justin.coss@ffgl.com.au

Media inquiries:

Clive Mathieson
Cato & Clive
+61 411 888 425
clive@catoandclive.com

This announcement was authorised for release by a Sub-Committee of the Board of Directors.



MAKING FOOD BETTER

Freedom Foods Group Limited (ASX: FNP)

Quarter ended 31 March 2021 Quarterly Activities and 4C Report:

Q3 FY21 Highlights:

- Q3 seasonality was reflected in a softer quarter-on-quarter performance (Q3 FY21 vs Q2 FY21), as previously indicated.
- Total revenue for the quarter of \$141.6m was down \$17.0m or 10.7% QoQ, broadly in line with company expectations.
- Dairy and Nutritionals revenue of \$91.5m, a decrease of \$16.7m or 15.4% QoQ, slightly down on company expectations.
- Plant-based Beverages revenue was \$37.3m, an increase of \$2.4m or 7.0% QoQ, up on company expectations.
- Specialty Seafoods revenue was \$2.9m, a decrease of \$0.5m or 13.7% QoQ, down on company expectations.
- Cereals and Snacks revenue was \$10.3m, a decrease of \$1.7m or 14% QoQ, down on company expectations.
- Successfully completed the sale of the Cereal and Snacks operations to The Arnott's Group on 31 March 2021.
- At 31 March 2021, the Company's cash position was \$20.6m.
- Released recapitalisation plan on 19 March 2021 and recommenced trading on 22 March 2021.

Business performance

Dairy and Nutritionals

UHT dairy sales in the domestic market were down QoQ driven by private label milk run rates softer than the prior quarter. Bulk Cream sales rose, with the increasing butterfat content of milk off-farm resulting in higher cream production.

Consumer Nutritionals, mainly Crankt, delivered solid Q3 sales, in line with the December quarter and above company expectations. Sales of nutritional ingredients, mainly lactoferrin, although down on prior quarter were in line with company projections.

The business continues its transformation journey and operational turnaround strategy, which is focused on number of areas including reducing wastage, improving production efficiencies, removing or reducing unprofitable products, optimising milk supply and curtailing losses from the sale of surplus milk as experienced in previous periods.

Plant-based Beverages

A leading producer of long-life UHT products including soy, rice and almond milk and liquid stocks

The plant-based trend continues, with strong category growth rates as health-conscious consumers add more plant-based beverages to their diets.

MILKLAB sales are up QoQ as demand for our high-quality range continues in the Australian out-of-home channel and export markets, increasing points of distribution.

Specialty Seafoods

A leading producer of a range of canned seafood, including sardines and salmon

Freedom Foods Group and its advisers continue to review all strategic options for the Specialty Seafoods business, including divestment.

The COVID-19 pandemic has disrupted global supply chains, causing some stock shortages for our Brunswick and Paramount brands.

Cereal and Snacks

On 31 March 2021, we successfully completed the transition of our Cereal and Snacks business to The Arnott's group.

The sale includes the Cereal and Snacks businesses located in Leeton and Darlington Point in NSW and in Dandenong in Victoria, as well as brands associated with the business, including Freedom, Messy Monkeys, Heritage Mill, Arnold's Farm and Barley+.

The sale does not include the important Crankt Protein brand, which has been retained and is now consolidated in the Dairy and Nutritionals business.

Appendix 4C cashflow report – released with this activity report

- In line with seasonality, Q3 operating cash flows decreased QoQ and are reflective of the operating performance as noted above.
- Capital expenditure investment of \$0.6m was recorded during the quarter and reflects investment in minor improvement projects in Q3.
- At Q3 close, the Group had \$333.9m of available finance facilities of which \$331.9m was drawn.
- Payments to related parties and associates were lower this quarter mainly due to an agreement to defer rent payments to Q4.

Related Party payments - Current Quarter (January 2021 to March 2021)

Payment to	Nature of Payment	Amount (AUD)
PERICH, Anthony	Payroll costs	30,000
PERICH, Ronald	Payroll costs	9,333
PERICH, Michael	Payroll costs	187,500
BRYAN, Timothy	Payroll costs	21,047
Fresh Dairy Four Pty Ltd	Milk purchases	2,991,267
Perich Property Holdings PI	Property Lease Rentals	387,235
Perich Property Holdings PI	Pallet racking charges	7,553
Perich Property Unit Trust	Property Lease Rentals	810,983
	Q3 2021 Total	4,444,918

Note to Market

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis.

This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Company, the projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

Contacts:

Investors	Media
Justin Coss Company Secretary Tel: +61 2 9526 2555 Freedom Foods Group Limited justin.coss@ffgl.com.au	Clive Mathieson Cato & Clive Tel: +61 411 888 425 clive@catoandclive.com

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Freedom Foods Group Limited

ABN

41 002 814 235

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	131,458	450,538
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(131,797)	(425,332)
(c) advertising and marketing	(4,601)	(10,545)
(d) leased assets	(1,024)	(6,250)
(e) staff costs	(5,797)	(17,415)
(f) administration and corporate costs	(2,545)	(5,673)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(5,987)	(15,681)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (restructuring costs)	(5,338)	(15,382)
1.9 Net cash from / (used in) operating activities	(25,630)	(45,741)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(566)	(5,042)
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	(f) other non-current assets	26	(60)
	Proceeds from disposal of:		
	(a) entities		
	(b) businesses	18,324	16,900
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	17,785	11,797
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	11,243	56,243
3.6	Repayment of borrowings	(6,481)	(16,951)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other - Lease payments	(585)	(1,896)
3.10	Net cash from / (used in) financing activities	4,178	37,396
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	24,288	17,167
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(25,630)	(45,741)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	17,785	11,797

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,178	37,396
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	20,620	20,620

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	20,620	24,288
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	20,620	24,288

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	4,445
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	333,914	331,914
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	333,914	331,914
7.5	Unused financing facilities available at quarter end		2,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

7.6 Loan Facilities	000's	Average Interest Rate	Latest Maturity Date	Secured/ Unsecured
Term loan (Note 1)				
HSBC	55,700	4.58%	28-May-21	Secured
NAB	85,474	4.58%	28-May-21	Secured
Recourse Debtor Finance Facilities (Note 1)				
HSBC	15,591	3.56%	28-May-21	Secured
Revolver Finance Facilities (Note 1)				
HSBC	17,535	4.86%	28-May-21	Secured
NAB	17,535	4.86%	28-May-21	Secured
Subordinated Financing Facilities (Note 1)				
HSBC	27,500	4.83%	28-May-21	Secured
NAB	27,500	4.83%	28-May-21	Secured
Equipment Finance				
NAB (Note 1)	65,282	4.66%	28-May-21	Secured
Tetra Laval	12,732	4.50%	Jan-27	Secured
Energy Ease	5,790	6.52%	Mar-27	Secured
Dankse Bank	929	4.18%	Feb-24	Secured
DLL 1	47	6.05%	Feb-22	Secured
Bank of Queensland	299	4.09%	Oct-26	Secured
	331,914			

The Group's primary bank facilities are arranged with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include syndicated and subordinated facilities, equipment financing facilities (NAB) and debtor financing facilities (HSBC). The Group also has other bi-lateral equipment finance facilities from a number of financiers and other general transactional banking facilities.

The Group is currently in the process of completing a Recapitalisation that is expected to complete on or around 27 May 2021. A minimum amount of \$200m and maximum amount of \$265m is being raised via a Convertible Note offering. Under the \$200m scenario, \$181.5m of bank debt will be repaid under the Term Loan, Revolver and Subordinated Financing facilities. The surplus proceeds of \$18.5m will be used to fund ongoing working capital requirements.


Note 1: Each of the Facilities provided by HSBC and NAB are the subject of a standstill deed. Given these facilities are capable of being declared due and payable upon the expiry of the standstill period, they have been classified as current borrowings. The standstill period matures on 28 May 2021.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
8.	Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)		(25,630)
8.2	Cash and cash equivalents at quarter end (item 4.6)		20,620
8.3	Unused finance facilities available at quarter end (item 7.5)		2,000
8.4	Total available funding (item 8.2 + item 8.3)		22,620
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)		0.9
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>			
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:		
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?		
	<p>Answer: No. The operating cash flow is forecast to slightly improve in Q4.</p>		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?		
	<p>Answer: Yes, the Company is in the process of completing a Recapitalisation. Completion is due to occur towards the end of May 2021.</p>		
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?		
	<p>Answer: Yes. The Company is undergoing a rebuilding phase and is currently working on a number of key initiatives that will enable it to meet its business objectives.</p>		
<p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i></p>			

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2021

Authorised by: 
A Sub-Committee of the Board