

30 July 2021

The Manager
Market Announcements Office
Australian Securities Exchange Limited
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Sydney NSW 2000

Appendix 4C and Quarter Ended 30 June 2021 Activity report

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

- Appendix 4C
- Quarter Ended 30 June 2021 Activity report

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This announcement was authorised for release by the Board of Directors.



MAKING FOOD BETTER

Freedom Foods Group Limited (ASX: FNP)

Quarter ended 30 June 2021 Quarterly Activities and 4C Report:

Freedom Foods Group Limited (**ASX: FNP**) ('Freedom Foods Group' or the 'Company'), a leading producer of long-life dairy and plant-based beverages and nutritional products, today releases its Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 June 2021 (unaudited) and is pleased to provide the following update on the Company's financial and operating performance.

Q4 FY21 Highlights:

- Total revenue from continuing operations¹ of \$136.9m, up \$5.6m or 4.3% quarter-on-quarter (Q4 FY21 v Q3 FY21)
- Dairy and Nutritionals revenue of \$96.0m, up \$4.5m or 5.0% QoQ
- Plant-based Beverages revenue of \$38.8m, up \$1.2m or 3.2% QoQ
- Specialty Seafoods revenue of \$2.3m, down \$0.6m or 20.9% QoQ
- MILKLAB Oat successfully launched on 21 June 2021
- Recapitalisation successfully completed on 27 May 2021, raising \$265m of secured convertible notes to partially retire senior debt and enable execution of operational and financial turnaround
- Prospectus lodged on 1 June 2021 for the offer of 40.8 million listed options to eligible shareholders in order to provide shareholders with the opportunity to participate in the recapitalisation plan.
- Excluding restructuring and one-off items, Q4 operating cashflow was circa -\$0.9m, with the Company's turnaround expected to deliver positive net operating cashflow in H2 FY22
- At 30 June 2021, the Company's cash position was \$31.7m, up from \$20.6m at 31 March 2021
- The Company continues to closely monitor the effects of the latest COVID-19 outbreaks and associated government lockdowns in response
- The Company will release its FY21 results and hold an investor briefing on 30 August 2021

Business performance

Dairy and Nutritionals

A leading producer of long-life dairy milk, nutritional products and performance powders

Overall dairy sales were up QoQ, supported by strong export demand, particularly from Southeast Asian markets. Lower domestic dairy sales were in line with expectations as the Company continues

¹ QoQ comparison excludes contribution from the Cereal and Snacks division, which was sold on 31 March 2021. Including Cereals and Snacks, total revenue for Q4 was down \$4.7m or 3.3%.

to focus on building a profitable portfolio by rationalising unprofitable product lines and improving under-performing product lines and driving sales growth within the MILKLAB dairy range.

The Company's PUREnFERRIN lactoferrin brand continues to deliver strong QoQ growth, while sales of most consumer nutritional products were softer in the quarter.

The Company continues to execute its operational turnaround strategy, which is focused on reducing wastage, improving production efficiencies, rationalising unprofitable product lines, optimising milk supply and reducing losses from the sale of surplus milk as experienced in previous periods.

Plant-based Beverages

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

Freedom Foods Group continues to benefit from strong category growth as health-conscious consumers add more plant-based beverages to their diets. The company successfully launched its new MILKLAB Oat range during the quarter, capitalising on high consumer demand for oat milk within the plant-based beverages category.

MILKLAB sales are again up strongly QoQ as demand for our high-quality range continues to grow in the Australian out-of-home channel, with an ever-increasing number of cafes stocking MILKLAB, and in export markets such as Southeast Asia. The first export orders for MILKLAB Oat were received in the month of June, with demand from Asia, the Middle East and South Africa.

Specialty Seafoods

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

Specialty Seafoods, mainly Paramount salmon, experienced a decline in QoQ revenue in Q4, largely reflecting an increase in seafood sales during the season of Lent in Q3.

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

Appendix 4C cashflow report – released with this activity report

- Improved Q4 operating cashflow of -\$9.7m includes restructuring costs of \$4.6m and one-off cash receipts and payments of \$4.2m, such as insurance claim refund and rent payments deferred from Q3
- Excluding these restructuring and one-off items, Q4 operating cashflow was circa -\$0.9m, with the Company's turnaround expected to deliver positive net operating cashflow in H2 FY22
- Capital expenditure investment of \$0.2m was recorded during the quarter and reflects investment in minor improvement projects.
- At Q4 close, the Group had \$398.0m of available finance facilities, of which \$362.0m was drawn.
- The company chose to Pay Interest in Kind amounting to \$2.1m on Convertible Notes for the period 27 May 21 to 30 June 21.

- Payments to related parties and associates were higher this quarter, mainly due to an agreement to defer rent payments of \$4.5m² to Q4.

Related Party payments – Current Quarter (April 2021 to June 2021)

Payment to	Nature of Payment	Amount (A\$)
Independent Directors	Director fees	117,455
Non-Independent Directors	Director fees	70,500
Independent Directors	Exertion fees	450,000
Michael Perich – CEO	Employment costs	187,500
Fresh Dairy Four Pty Ltd	Milk purchases	1,195,752
Perich Property Holdings P/L	Rent and outgoings	2,586,445
Perich Property Unit Trust	Rent, outgoings and legal expense recharges	4,253,317
Leppington Pastoral Co P/L	Directors' indemnity recharges	1,330,242
	Q4 2021 Total	<u>10,191,211</u>

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.

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The release of this announcement was authorised by the Board of Directors.

² Total rent payments of \$4.5m comprise Perich Property Holdings P/L \$1.6m and Perich Property Unit Trust \$2.8m.

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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	146,221	596,759
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(123,581)	(551,031)
(c) advertising and marketing	(7,267)	(17,813)
(d) leased assets	(4,805)	(11,054)
(e) staff costs	(6,910)	(24,326)
(f) administration and corporate costs	(4,055)	(9,728)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(4,661)	(20,342)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other (restructuring costs)	(4,619)	(15,780)
1.9 Net cash from / (used in) operating activities	(9,677)	(53,314)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(234)	(2,658)
(d) investments	0	0
(e) intellectual property		
(f) other non-current assets	60	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses	(241)	16,158
	(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	(415)	13,500

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	(5,416)	(8,963)
3.5	Proceeds from borrowings	265,000	321,243
3.6	Repayment of borrowings	(237,273)	(254,224)
3.7	Transaction costs related to loans and borrowings	(540)	(540)
3.8	Dividends paid		
3.9	Other (provide details if material)	(631)	(3,201)
3.10	Net cash from / (used in) financing activities	21,140	54,315

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,620	17,167
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,677)	(53,314)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(415)	13,500

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,140	54,315
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	31,668	31,668

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	31,668	20,620
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	31,668	20,620

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	10,191
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<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>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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	398,003	362,003
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	398,003	362,003
7.5 Unused financing facilities available at quarter end		36,000
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
Recourse Debtor Finance Facilities				
HSBC	13,809	3.49%	rolling 6 months	Secured
Convertible Notes				
Various	265,000	8.50%	27-May-27	Secured
Finance Leases				
NAB	63,423	4.66%	Jun-25	Secured
Tetra Laval	12,173	4.50%	Jan-27	Secured
Energy Ease	5,578	6.52%	Mar-27	Secured
Dankse Bank	968	4.18%	Feb-24	Secured
DLL 1	34	6.05%	Feb-22	Secured
Bank of Queensland	279	4.09%	Oct-26	Secured
Toyota	739	3.25%	Apr-25	Secured
362,003				

The Group's primary bank facilities are with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include an undrawn syndicated facility, 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 recently completed a Recapitalisation on 27 May 2021 with \$265m being raised via a Convertible Note offering. Of this amount, \$231m was used to repay bank debt. Upon repayment, the existing Term Loan, Revolver and Subordinated debt facilities with HSBC and NAB were cancelled in full.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(9,677)
8.2 Cash and cash equivalents at quarter end (item 4.6)	31,668
8.3 Unused finance facilities available at quarter end (item 7.5)	36,000
8.4 Total available funding (item 8.2 + item 8.3)	67,668

8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)

7.0

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.

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?

Answer: N/A

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?

Answer: N/A

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?

Answer: N/A

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.

Compliance statement

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

Date: 30 July 2021

Authorised by: 
The Board of Directors