

HALO RECORDS STRONG FIRST HALF GROWTH AND UNDERLYING EBITDA PROFITABILITY

30 November 2021

Halo Food Co. Limited (ASX:HLF) (the “Company” or “Halo”) (formerly *Keytone Dairy Corporation Limited*) is pleased to report its audited half year financial results for the six months ending 30 September 2021 (“1H FY22”) and lodge the accompanying Appendix 4D.

1H FY22 Highlights

- Strong and continued sales growth across the Halo group - sales totalled \$27.8m for 1H FY22 an increase of 14% over the prior corresponding period;
- Normalised consolidated group EBITDA profitability increased 223% to more than \$1.1m for 1H FY22 compared with a normalised loss of \$0.9m in the prior corresponding period;
- Australian Contract Manufacturing and New Zealand Dairy materially increased sales through the period as a result of new contract wins, repeat and increased volumes from existing clients and new product capability;
- Substantial new contracts commenced through 1H FY22 and will make a full contribution to the financial results of the group through the second half of FY22;
- New branded product launches occurred including Tonik Energy, with initial production runs completely sold;
- The upgrade of the protein bar and healthy snacking plant was completed late in 1H FY22 with the first commercial production run undertaken in September 2021;
- Completion of the \$1.2m cost out program undertaken over the last 12 months;
- Successfully secured an increase in the debt facilities within the Australian business to assist in driving growth objectives and accelerate working capital cycles; and
- Significant new contracts wins were secured through 1H FY22 and subsequently announced early in 2H FY22, including the USD40m strategic partnership with Theland China and additional Coles contract wins.



Financial Performance

AUD million	1H 2022	1H 2021		% Change
Normalised results¹				
Revenue	27.8	24.5	▲	14%
<i>Australia Contract Manufacturing</i>	19.9	17.4	▲	14%
<i>New Zealand Dairy</i>	6.6	5.3	▲	25%
<i>Brands</i>	1.4	1.8	▼	26%
Gross Profit	7.0	5.9	▲	19%
Gross Margin	25%	24%	▲	1.0bps
EBITDA	1.1	(0.9)	▲	223%
<i>EBITDA Australian Co-Man</i>	2.1	0.8	▲	156%
<i>EBITDA New Zealand Operations</i>	0.6	0.4	▲	60%
<i>EBITDA Brands</i>	(0.4)	(0.4)	▼	6%
<i>EBITDA HeadCo</i>	(1.1)	(1.7)	▲	35%
Reported results				
Revenue	27.8	24.5	▲	14%
<i>Australia Contract Manufacturing</i>	19.9	17.4	▲	14%
<i>New Zealand Dairy</i>	6.6	5.3	▲	25%
<i>Brands</i>	1.4	1.8	▼	26%
Gross Profit	7.0	6.7	▲	4%
Gross Margin	25%	27%	▼	1.7bps
EBITDA	(0.7)	(1.4)	▲	46%
<i>EBITDA Australian Operations</i>	1.6	0.8	▲	100%
<i>EBITDA New Zealand Operations</i>	0.6	0.4	▲	60%
<i>EBITDA Brands</i>	(0.4)	(0.4)	▼	6%
<i>EBITDA HeadCo</i>	(2.6)	(2.2)	▼	18%
Balance Sheet² & Cash Flow				
Net cash used in operating activities	(2.8)	(4.6)	▲	40%
Borrowings	5.3	0.9	▲	492%
Closing Cash	3.3	4.0	▼	17%

1. Normalised results exclude significant non-cash items including the \$1.3m share-based payments expense for the issue of options to directors and executives as well as the one off cash costs relating to professional expenses and one-off redundancy costs related to cost out program

2. Balance Sheet comparisons as at 31 March 2021



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The financial highlights for 1H FY22 are:

- Consolidated sales increased to \$27.8m for 1H FY22 compared with \$24.5m in 1H FY21;
- Australian Contract Manufacturing continues to grow, increasing sales 14% for the six months ended 30 September 2021 to total \$19.9m. This result includes one month only of contribution from the newly commissioned and now operational protein bar and healthy snacking line which came on stream in September 2021;
- New Zealand Dairy continues to perform strongly growing 25% through 1H FY22 compared with 1H FY21 recording total sales of \$6.6m. This result excludes a number of new contract wins secured through 1H FY22 and beginning in the second half of the FY22, including the strategic partnership with Theland;
- Sales in the Brands division softened 26% to \$1.4m from \$1.8m in the prior corresponding period of 1H FY21, directly correlated to the macroeconomic backdrop of prolonged lockdowns in Australia's largest States and temporary closure of key distribution and retail channels. This is expected to reverse in 2H FY22 as key distribution and retail channels have re-opened and a renewed focus and investment in marketing has commenced;
- Normalised gross margin increased to 25%, an increase of 1 percentage point over the prior corresponding period and 4 percentage points over the full 2021 financial year highlighting improved operational efficiencies and investment in optimisation of plant and equipment;
- Normalised consolidated group EBITDA increased 223% to \$1.1m profit - this is a record result for the consolidated group and has been driven across the business in Australia and New Zealand as a result of increased contract wins, increased volumes, enhanced procurement and financial management and sustainable cost outs;
- EBITDA normalisations include the elimination of non-cash expenses including \$1.3m of share-based payments expense, one-off professional fees and one-off redundancy costs of \$0.5m related to the completed cost out program;
- Net cash used in operating activities decreased to \$2.8m, a significant improvement of 40% compared with the prior corresponding period, highlighting the financial trajectory of the consolidated group; and
- As at 30 September 2021, Halo had a cash balance of \$3.3m compared with the cash balance of \$4.0m at 31 March 2021.

Upon releasing the first half FY22 audited results, Halo's CEO, Danny Rotman, stated "Halo Food Co. has had an exciting six months of developments, growth and progression. The group has continued to advance at a double-digit rate both in Australia and New Zealand and secured multiple material contracts which will begin to contribute to the financial results of the group in the second half of FY22. With the scale now realised, the group has hit normalised underlying group EBITDA profitability."

"The capex and expansion program of the protein bar and healthy snacking plant has been largely completed through the first half of FY22 and the plant has been in commercial



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operation from September onwards. This plant complements our existing manufacturing offering across powders and UHT long-life drinks, rounding out the group's capability in the health and wellness manufacturing space offering our clients a truly diversified manufacturing capability and enhancing our branded offering. The protein bar plant has exceeded expectations with strong opening orders and will make a full six-month contribution to the group in the second half of FY22 and beyond."

"The group is well placed to continue to execute on its strategic priorities in the second half of FY22 and with the lockdowns across Australia's largest states of New South Wales and Victoria behind us, new contract wins commencing and a robust sales pipeline we are looking forward to a stronger final half of FY22 than the record first half recorded."

The release of this announcement, Appendix 4D and Interim Report has been authorised by the Board of Halo Food Co. Limited.

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Further Information

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About Halo Food Co. Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Halo Food Co. Limited is an established manufacturer and exporter of formulated dairy products and health and wellness products. Halo Food Co. is a leading Australian and New Zealand product developer and manufacturer in the health and wellness sector, with dry powder, ready to drink UHT and protein bar health and wellness-based product capability. In addition to Halo Food Co.'s own brands, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit www.halofoodco.com for further information.

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