



THE FOOD REVOLUTION GROUP

ASX Announcement

25 February 2022

FOD H1 FY2022 Audited Results

The Food Revolution Group Limited (ASX: FOD, or 'the Company') is pleased to update the market on results for the 6-month period to December 2021.

Financial Highlights

- Beverage revenues of \$21.7m (up 4.2% vs FY2021 \$20.8m) reflecting the strength and sales growth from key brands; The Juice Lab and the Original Juice Black Label brand.
- Group gross sales revenue of \$21.7m (down 2% vs \$22.2m in FY2021) driven by the inclusion of \$1.4m of revenue from hand sanitiser products receipted in FY2021.
- Operating EBITDA of \$0.8m delivered in H1 FY2022, reflecting significant investment in recipes and sourcing of raw materials to strengthen margin across core range of products. Margin improvement offsetting H1 FY2021 non-recurring sanitiser sales, JobKeeper support payments and rental income (earnings impact of \$1.9m).
- Balance sheet improvements delivered through the reduction of debt financing from \$6.4m FY2021 to \$5.9m H1 FY2022, along with a reduction in trade payables from \$6.1m to \$5.8m in H1 FY2022.
- Cash position of \$0.88m as of 31 December 2021 and access to further trade facility of \$1.0m.

Operational Highlights

- Investment in core blends and recipes, as well as strong commercial positions in the sourcing of raw materials has delivered significant savings in raw materials and will ensure continued margin improvement for H2 FY2022.
- Success of the Juice Lab Wellness Brand with both Wellness Shots and Wellness Cans implemented into the market and protein smoothies approved for H2.
- Managed the business through a challenging COVID environment, including overcoming significant challenges in labour and supply chains to ensure the continuous supply to retailers.
- Appointment of new CEO, CFO and two independent directors with a new focus in leadership and corporate governance.

The Food Revolution Group CEO Steven Cail commented *"The business made a lot of positive changes in the 6-month period to 31 December 2021. The financial year began with a significant change in leadership, and I was excited to lead the FOD team into the next chapter as CEO. As a business we needed to address the core business and ensure that profitability was improved (via margin) and key structures were put in place to build a foundation that gives the business the ability to grow. The first half of 2022 financial year was always going to be a challenge to cycle through given non-recurring sanitiser sales and JobKeeper support payments that were receipted in the first half of 2021 financial year.*

It was also very pleasing to see the improvement in our beverage sales and margins whilst launching new ranges. Our beverage sales increased by 4.21% outperforming the chilled juice and drinks category. Our commercial team worked closely with our New Product Development (NPD) team developing new and innovative products to meet the changing needs of consumers and identified opportunities within the market. Our strong development capability allows us to launch new products that are on trend and first to market, as seen with our Wellness Shots, Carbonated Wellness Drinks, and our newly released Plant-Based Protein Smoothies. The growth in both of our key brands Original Juice Company and Juice Lab, has resulted in The Food Revolution Group now sitting as Australia's third largest supplier to the supermarkets in the chilled juices and drinks category¹.

Operationally the business demonstrated its ability to be agile and pivot quickly, especially in such a challenging climate as seen throughout the COVID pandemic. The business was able to quickly alter shift structures which was instrumental in minimising disruption to production. The challenges of COVID have resulted in additional costs introduced into the business by way of labour (split shifts, absenteeism, and demand) and supply chain (demand and price rise). However, our focus throughout the first half was to ensure continuity of our products to store; whilst managing the safety of the employees. This was done successfully, which was a driver in maintaining and delivering on sales growth.

From a governance point of view there were changes made with two independent directors being appointed to the board. We also secured refinancing of the Greensill debt facility, with a new five-year facility at a reduced rate of interest being 4.2% with the National Australia Bank.

As a business we will not shy away from the current challenges that we face. Our balance sheet and operating cash is significantly improving, but we still need to increase profits significantly at a net level. I'm happy that the business has made strong inroads to improving the base business, but acknowledge further work is required to expand margin and growth, allowing the business to invest further in its ambition to enter new markets. These financial step changes are to be facilitated by continuing the work done in H1 FY2022;

- *Continue to support and grow our OBL range*
- *Support Juice Lab on continued growth with current new ranging*
- *Sales growth by entering new routes to market outside the major retailer space*
- *Cost out with strategic capital investment in the factory to improve efficiency*
- *Continued cost out on our 'cost of goods' with strong focus on procurement and route to market*
- *Increased production volumes/sales via private label tender acquisitions*

¹ Source data – IRI Australia data Total Grocery MAT dollars to 30/01/22

Financial Review

Revenue

Gross sales for the Group were \$21,724,949 and net revenues after trading terms, volume rebates and other claims (trading terms) were \$17,588,625. The juice related gross sales are up 4.21% on the PCP. Trading terms generally apply in respect of sales of product into the grocery channel.

Gross Profit & EBITDA

- The gross profit grew from \$5.69 to \$6.08 million which equates to 34.57% of net sales.
- The loss before tax was \$1,001,295 for the half-year.
- The combination of improving sales volumes, prices and efficiencies delivered an EBITDA of \$0.81 million for H1 FY2022.

Cash & Cashflow

- Operational cash outflow for the period of \$2,130,804 which included a one-off payment of \$1.3m associated with the Original Juice Company transaction to settle an agreed outstanding payable from a previous period.
- \$2.0m operating cash investment into inventory holdings to lock in beneficial fruit pricing from strong market supply and providing flexibility to meet new blends and recipes for out of season raw materials.
- Cash of \$0.88 million on hand as at 31 December 2021.

Governance

- Appointment of two key independent directors.
- Senior leadership changes at CEO and CFO level

Outlook

FOD team remains committed to our strategy as previously communicated. Key focus for FY2022 is to continue the journey of fixing the foundations whilst focusing on profitability and growth.

Fix the foundations:

- Balance Sheet
- Cash improvements
- Governance
- Capability and Brand

Profitability and growth

- OBL core range growth
- Juice Lab growth
- Maximise margins via procurement changes and asset utilisation
- Domestic channel growth
- Export

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 Counter Current 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.