

Freedom Foods Group

FY 2018 Financial Results
Company Presentation

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3 Key Pillars to our Strategy

Capability



Innovation



Markets



Summary FY 2018



- Annual net sales increases 34.5% to \$353 million, in line with revised guidance (issued July 2018)
- Operating EBDITA rises 49.3% to \$39.2 million, operating
- EBDITA margins increased to 11.1% from 10.0%
- Operating net profit increases 96.9% to \$19.4 million, statutory net profit up 68.7% to \$12.7 million
- Final dividend increased to 2.75 cents per share from 2.25 cps

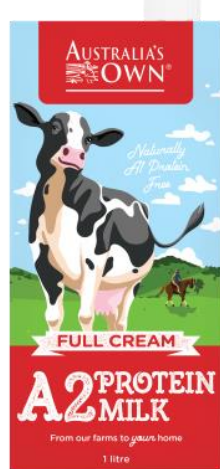


Summary FY 2018



- Increased financial performance with substantial improvements in sales revenue, earnings and cash generation.
- Increased investment in innovation, brand and market development assisted in growth in each of the key business divisions and markets.
- The result reflects a positive operating performance within a period of significant change for the Group, with the completion of the new state-of-the-art UHT dairy and plant-based beverage processing facility at Ingleburn, the transfer of operations from the Taren Point site to Ingleburn, expansion of capabilities at Shepparton and Leeton, and investment in expanding packaging formats and technology platforms.

Summary FY 2018



- Continued transformation now driving growth through iconic brands including Freedom Foods and Australia's Own in key markets of Australia, SE Asia and China:
 - Launch of over 70 new product formats
 - Strong growth in new brands including MilkLab in the food service beverage category and Messy Monkeys, Crafted Blends, Arnold's Farm and Barley+ in the cereals and snacks category
 - Launch of new brands including Australia's Own into the UHT dairy category and Heritage Mill in the mainstream cereal and snacks category
 - Total sales from Group brands increased to 60% of total revenues from 53% in FY 2017



Underlying Earnings

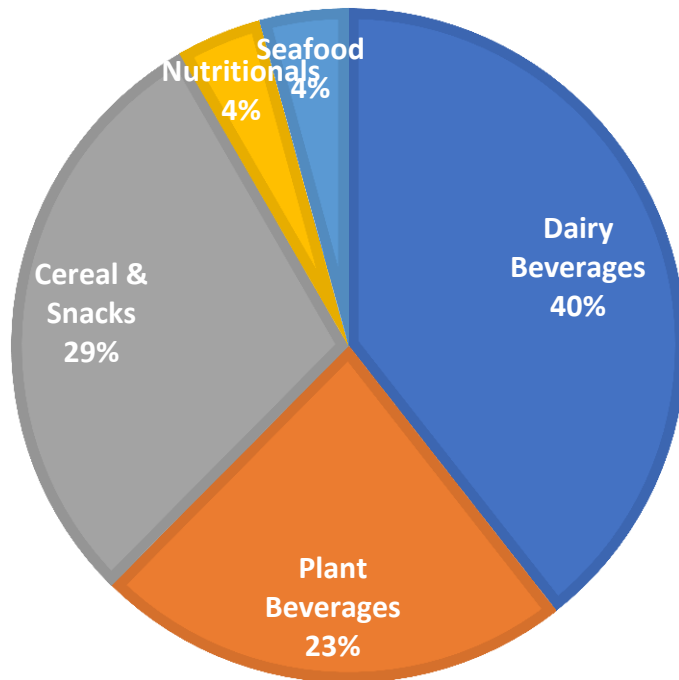
Underlying vs Statutory

12 Months to 30 th June (A\$ million)	FY18	FY17	Movement
Operating EBDITA⁽¹⁾	39.2	26.2	+ 13.0
Gain on sale of Ingleburn	3.3	—	+ 3.3
Other costs not representing underlying performance ⁽²⁾	(9.7)	(2.4)	- 7.3
Employee Share Option Expense (non cash)	(1.3)	(0.4)	- 0.9
Statutory EBDITA	31.5	23.3	+ 8.2

- 1) Operating EBDITA (Earnings before depreciation, interest, tax and amortisation) is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBDITA is used by management and the directors as the primary measures of assessing the financial performance of the Group and individual segments.
- 2) FY 2018 other costs not representing underlying performance includes once off unrealised foreign exchange loss of \$206k and restructuring costs of \$8.6m including costs relating to discontinued operations at Taren Point, acquisition costs of \$217k, bank facility fee of \$685k.

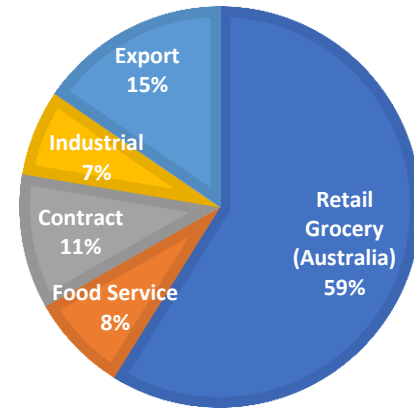
Sales Performance

**FY 2018
\$353 MILLION
NET SALES BY BUSINESS GROUP**

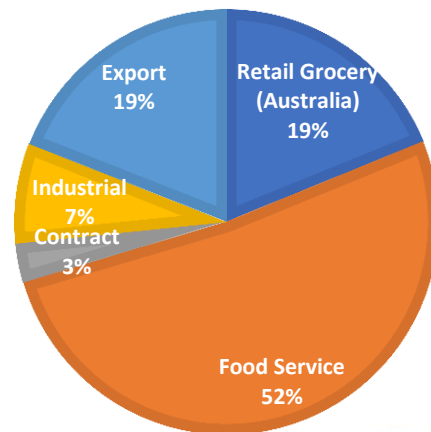


Source: FFGL Management Accounts

**FY 2018
SALES BY SALES CHANNEL**

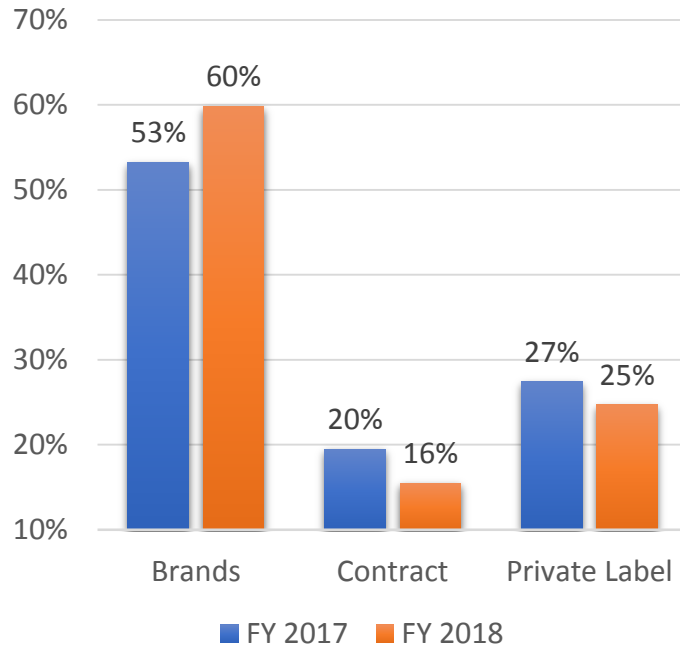


GROWTH RATES FY 18 % VS FY 17

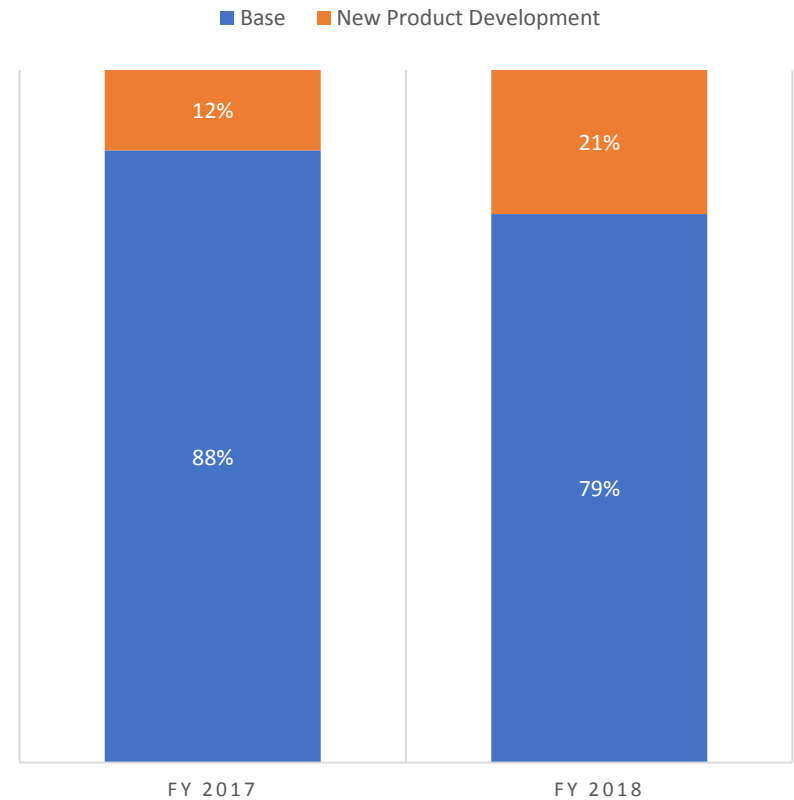


Sales Performance

Branded Sales vs Other Segments

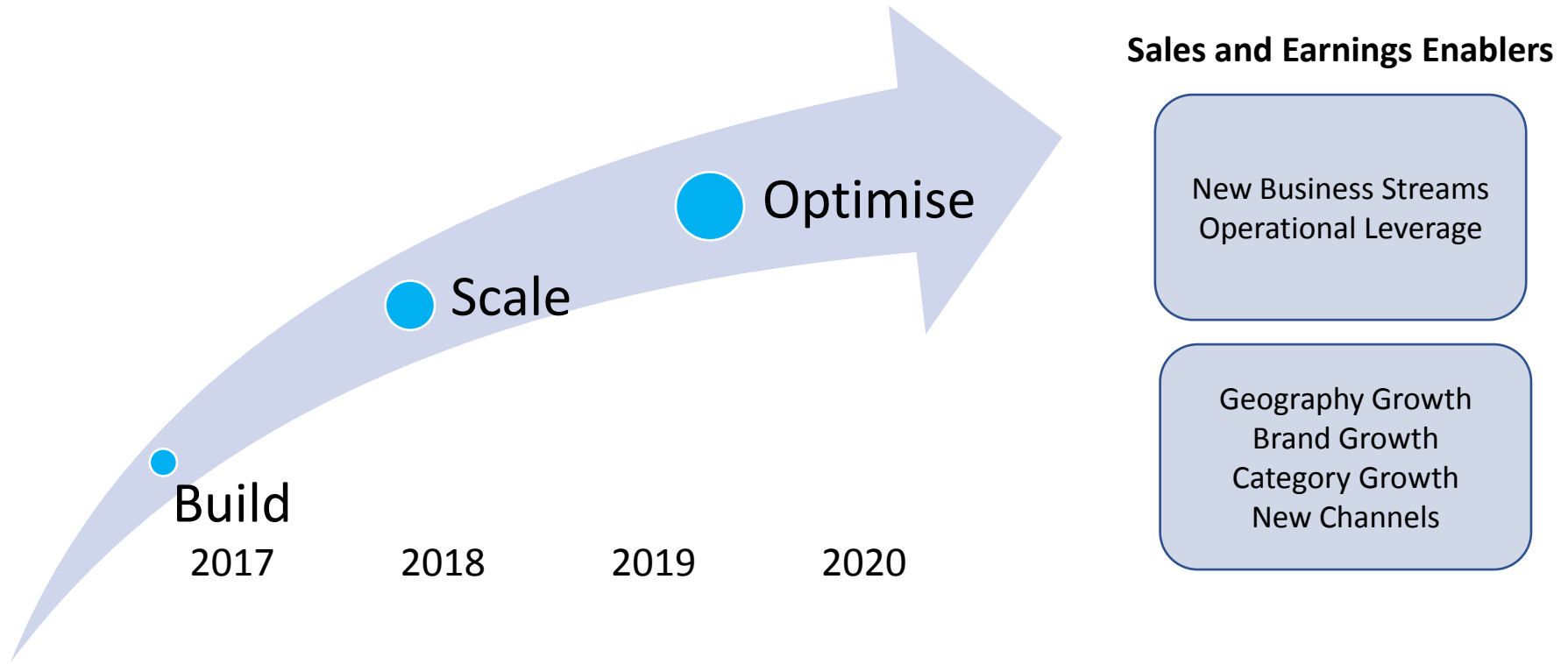


SALES (BASE VS INNOVATION)



Source: FFGL Management Accounts

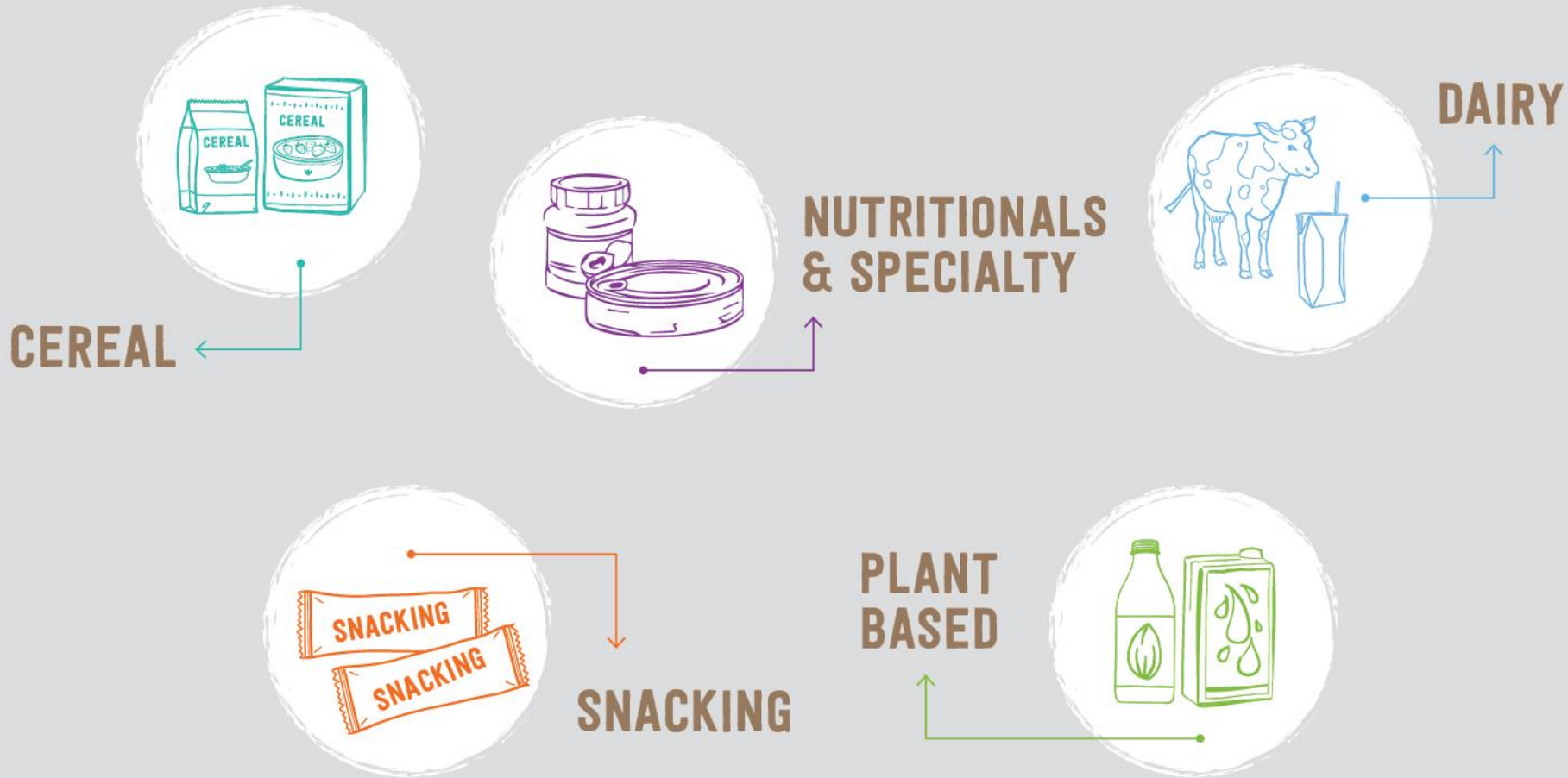
Development Curve



- Harvesting benefits of building capacity in brands, innovation and operational capability
- Building sales through expanded share and development of new markets
- Optimising scale economies

Business Segments and Markets

WHAT DO WE MAKE



Asian Market



Convenience



Source & Provenance



Plant-based



**WE ARE POSITIONED
IN ON TREND GROWTH
MARKETS**

**New Taste
Sensations**



Food as Medicine



Protein



Out-of-home



Key Markets



Expanding our Key Channels to Market

Australian Retailers

coles



COSTCO
WHOLESALE



Food Service, Petrol and Convenience



coles
express



Metcash
TRADING LIMITED AUSTRALASIA



Bidvest
Foodservice

Partnerships and Distribution scale in China, SE Asia



TMALL 天猫



Building Distribution scale in North America



Building Capabilities into Markets

Our China Team



China Point of Sale



Investing in our Capabilities

\$350 Million
Over 3 Years
Investment
in New
Facilities and
Capabilities



No 1 in UHT Capability in Australasia

- Largest producer of branded and private label UHT milk in Australia
- Complementary production sites in Shepparton and Ingleburn
- Servicing Australia, NZ, China, SE Asia and Middle East



Ingleburn (Plant & Dairy)



- FY 2018, the Group relocated its Plant-Based Beverage operations from Taren Point to the new state-of-the-art UHT facility at Ingleburn in South West Sydney.
- The first stage installed UHT filling capacity at Ingleburn of approximately 80 million litres per annum.
- New installations included a 2 litre format capability for both dairy and plant-based applications, with capabilities for yoghurt processing will be completed by September 2018.
- Expanded filling capacity as at March 2019 is expected to be approximately 170 million litres per annum

Shepparton (Dairy)



- The Group is progressing with a significant capacity upgrade to its Shepparton dairy facility, with a total investment of approximately \$33 million to increase total dairy milk processing capacity to 500 million litres per annum.
- The expanded processing capability will provide increased flexibility to meet increasing demand for other value-added products streams including functional dairy-based beverages, drinking yoghurt and cream (packaged pouring and whipping cream)

Shepparton (Nutritionals)



- Shepparton Nutritionals capability well progressed
- 1st Stage commissioning due to commence from December 18



Brands Accelerating our Growth

Leveraging current and emerging trends in consumption

Brands drive our Strategy

freedom **GROUP**
Making food better **FOODS** **LIMITED**

**AUSTRALIA'S
OWN[®]**

freedom[®]
FOODS



Increased Investment in our Brands



Plant Based Beverages

Australia's Own, Almond Breeze



- Leading Plant category brand owner and producer, through Australia's Own Organic range and Blue Diamond Almond Breeze range





MILKLAB

- Strong growth in the high margin food service channel with MilkLab
- expanding the range of nut based beverage products under the MilkLab brand.
- MilkLab. MilkLab has secured ranging in key coffee chains including Starbucks in Malaysia.
- The MilkLab brand has the potential to be a leading global plant-based beverage brand in the milk for coffee markets.



Innovation in Plant Beverages



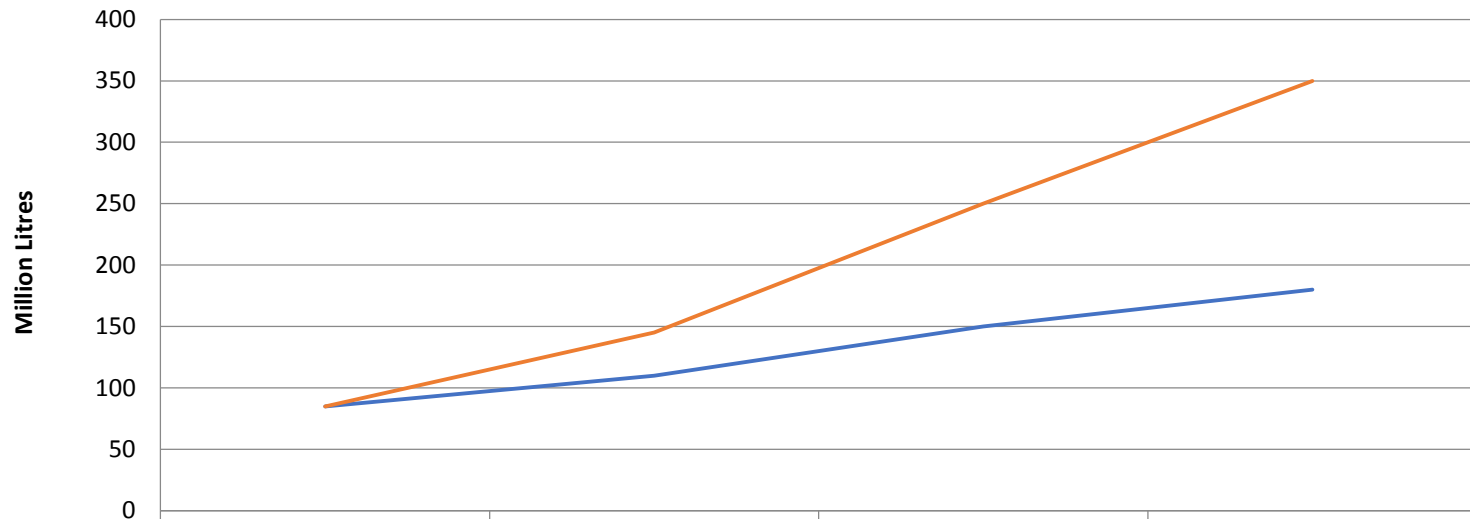
Consistent with its strategy to be a leading innovator in plant-based beverages, during the second half of FY 2018, the Group successfully launched the first pea protein milk in Australia, “Like Milk”, as well as 99% sugar free flavoured almond milks in 1 litre plastic bottle formats.



Dairy Beverages

Accelerated Dairy Demand

Dairy Litres – All Sites



	FY 2017	FY 2018	FY 2019	FY 2020
FY 2017 Plan	85	110	150	180
Accelerated Plan	85	145	250	350

- Growth from category demand, new product development and impacts of structural change in Australia
- Category demand from Australia, SE Asia and China

Note:

- FY 2017 3 Year Business Outlook
- FY 2018 Updated 3 year Business Outlook

Australia's Own Dairy



- The launch was led by Australia's Own branded A2 Protein Milk variants and also included from July 2018, UHT cooking cream in portion and 1 litre formats.
- The Group intends to launch additional A2 Protein Milk products in 1 Litre and portion pack formats, including yoghurt



AO KIDS MILK

No 1 Imported Kids Milk in China and this is just the start !

- The AO Kids Milk product has continued its strong growth trajectory, with the product now the largest imported kid's milk brand in China.
- Installation of high speed 200ml capacity at its Shepparton operation to provide for volume demand forecast in excess of 60 million packs in calendar year 2018.
- The Group expects the Kid's Milk product and other new product formats to be a significant contributor to growth and profitability.

+ 60 Million Packs in 2018
(from 30m Packs in 2017)



Nutritionals

Leveraging our Dairy Base

...and Unique Manufacturing Footprint

Dairy Milk



Nutritionals

Milk
Proteins



Across the Lifestage Nutrition Landscape

Weight Management

- Powders
- Beverages

Clinical Nutrition

- Powders
- Beverages

Sports Nutrition

- Powders
- Beverages

Functional Nutrition

- Fortified
- Value Added

Infant & Growing Up

- Infant Nutrition
- Growing Up Dairy

Everyday Dairy

- Milk
- Yoghurt
- Cream



Valuing Adding Dairy Ingredients



Fat 4.1%
Protein 3.5%
\$.50

Protein & Cream

Standardise excess



Fat 3.3%
Protein 3.3%
\$1.50

High Value Ingredients

Packed Cream



Using Fat
\$4.50

Drinking Yoghurt



Value added
milk / fat
\$8

On-the-go Sports Nutrition



Whey Protein
Isolate
\$12

Infant + Adult Nutrition



Protein
Lactoferrin &
 α -lactalbumin
\$25-\$35

Sports Nutrition



Whey Protein
Isolate
\$50



\$200

High value added product ranges supplied by fully integrated nutritional capabilities



\$35

Vitalstrength #1 Whey Low Carb High Protein Choc 720gram

4.85 per 100g



237 4708

\$35

Vitalstrength #1 Whey Low Carb High Protein Vanilla 720gram

4.85 per 100g



274 9159

\$35

Vitalstrength Pro-muscle Weight Gain Protein 720gram

Vital Strength – Performance Nutrition

- The Vital Strength brand is recognised as a leader in high quality nutrition products, sold through retail grocery, pharmacy and fitness retailers in Australia.



Crankt Protein Brand

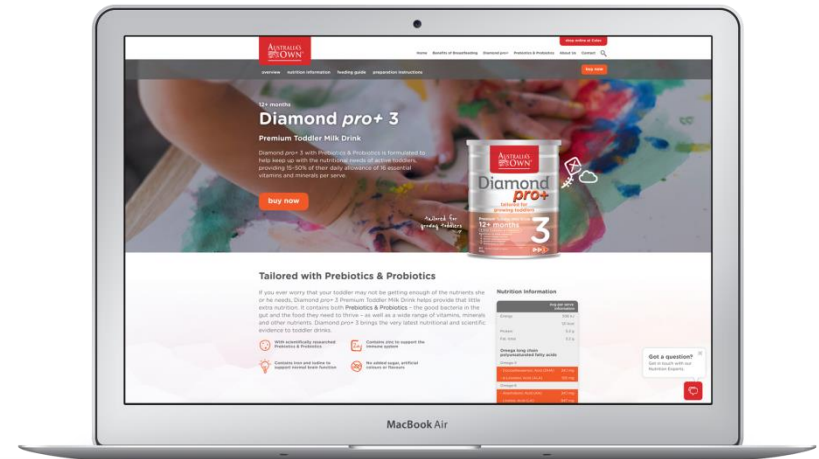


- The Crankt Protein range is sold through petrol and convenience, fitness retailers and retail grocery in Australia and New Zealand.
- The Crankt brand provides for an everyday mainstream consumer proposition, aligned to the Freedom Foods Vital Strength brand which is positioned as a premium brand in the sports and nutrition category.



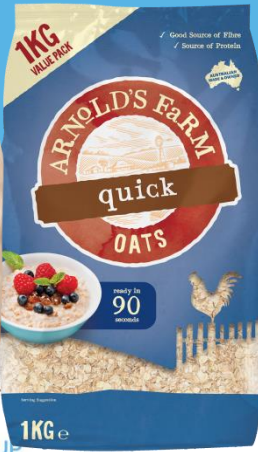
Australia's Own Infant Nutrition

- The Group launched in July 2018 a new range of early stage nutrition products in Australia and within its existing distribution base in SE Asia.
- Australia's Own Diamond pro+ Premium range (Stage 1, 2 and 3) was launched exclusively in Coles Supermarkets across all stores nationwide from August 2018.



Cereal & Snacks

We are one of the top 2 Producers of oat based cereals and snacks in Australia





Category Leader

- #1 within the Health Food Section of retail supermarkets in Australia
- +40% market share (MAT Scan Data FY 2018)
- Further innovation in value added cereals and snacks including products developed for on the go channels in food service launched in August 2017

freedom
FOODS





World
FOOD
Innovation
Awards

2018

in association with  HOTELARIA

FINALIST



Messy Monkeys



Messy Monkeys is the No 1 selling “new” brand in the health food section of supermarkets and is expanding through popcorn and extruded snacks variants. Expanded distribution across general merchandise stores is expected in the first half of FY 2019.

Mainstream Launch

In June 2018, the Group launched an expanded range of Freedom Foods branded cereals and snacks in the mainstream retail channels in Coles Supermarkets under the brands Heritage Mill and Brekky Heroes



BARLEY⁺

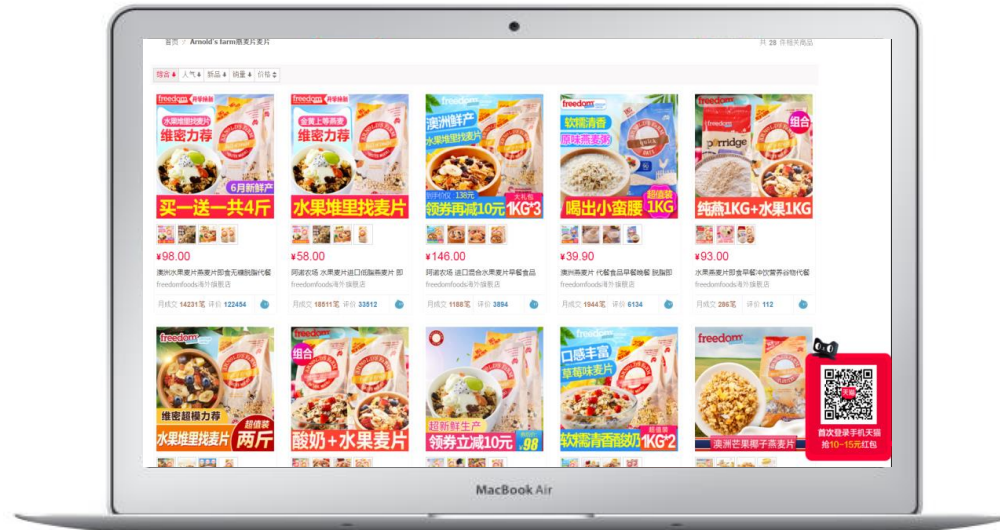
A range of delicious cereals and bars that are uniquely formulated with the superior wholegrain BARLEYmax™.

It contains more of the 3 fibre types needed to support good gut health

Our Cereal range was awarded a healthy food guide finalist



Leading Brand on Tmall International



- The “Arnold’s Farm” brand is ranked Top 3 oat cereals on Tmall International with the cereal category holding significant growth potential
- No. 2 selling cereal SKU on Tmall during Single’s Day sales
- In offline distribution, the Arnolds Farm brand is now sold in more than 4,000 outlets across China



More Branded Innovation in FY 2019



Talent and Technology



- During the period, we invested in talent and capability in sales and innovation across beverage, cereal and snacks capability as well as operations, finance, legal and compliance.
- For our expanding capital projects initiatives, we increased our capability to manage and install our key pieces of equipment, an investment that will provide for ongoing capability at our sites, reducing reliance on 3rd party providers
- We are developing our people and talent identification processes to align with the Group's rapidly expanding sales and operational platform.

Outlook



- The Group is increasingly well positioned to strategically build into a major global food and beverage business with scale in key food and beverage platforms from key markets and channels in Australia / New Zealand, China, SE Asia and North America.
- As outlined in July 2018, the Group expects net sales revenue in FY 2019 to be in the range of \$500 to \$530 million.
- The Group continues to experience strong demand across its business activities in Australia, China and SE Asia
- New product revenue streams from major capital expenditure projects are expected to materially positively impact sales and earnings into FY 2020 and beyond.

FY 2018 Financials

Financial Summary

12 Months to 30th June 2018	2018 \$'000	2017 \$'000	% Change
Net Sales Revenue	352,987	262,481	+ 34.5%
EBDITA (Underlying Operating) ⁽¹⁾	39,180	26,240	+ 49.5%
EBDITA (Statutory)	31,501	23,375	+ 34.8%
Equity Associates Share of Profit ⁽²⁾	480	480	-
Pre Tax Profit (Operating)	22,297	12,213	+ 82.6%
Pre Tax Profit (Reported)	14,617	9,348	+ 56.4%
Income Tax (Operating)	2,899	2,363	+ 22.7%
Net Profit (Operating)	19,399	9,850	+ 96.9%
Net Profit (Reported)	12,715	7,539	+ 67.7%
Interim Ordinary Dividend (cps)	2.75	2.25	+ \$0.50
Interim CRPS Dividend (cps)	1.35	1.35	-
EPS (cents per share) (Fully Diluted for CRPS)	6.33	4.01	+ 57.6%
EPS Operating (cents per share) (Fully Diluted)	9.25	6.51	+ 42.0%
Net Debt / Equity	6.8%	56.3%	
Net Assets per Share (cents)	217.2	160.0	+ 35.7%
Net Tangible Assets per Share (cents)	171.6	108.9	+57.5%

Notes:

(1) Underlying Operating EBDITA excludes pre-tax abnormal or non-operating charges including an add back of non cash employee share option expense of 1.3m. FY18 other costs not representing underlying performance includes once off unrealised foreign exchange loss of \$206k, restructuring costs of \$8.6m including costs relating to discontinued operations at Taren Point, acquisition costs of \$217k, bank facility fee of \$685k.

(2) Equity Associates is share of NPAT of Australian Fresh Milk Holdings (10% equity interest held by Freedom Foods Group).

Financial Performance – Business Unit

12 months to 30th June 2018 (A\$m)	Cereal & Snacks	Plant Based Beverages	Dairy Beverages	Specialty Seafood	Nutritionals	Others	Total
Net Sales Revenue	103.2	81.1	139.2	15.0	14.3	–	353.0
Trading EBDITA	14.0	18.7	16.9	1.4	3.6	–	54.7
Equity Associates ⁽¹⁾						0.5	0.5
Corporate Costs ⁽²⁾						(15.9)	(15.9)
Operating EBDITA	14.0	18.7	16.9	1.4	3.6	(6.4)	16.0
Net Sales Change (YOY %)	+15.3%	+26.4%	+49.5%	+8.4%	+698%		+34.5%
Net Sales Change (YOY \$m)	+13.7	+17.0	+46.0	+1.2	+12.6		+90.5
Trading EBDITA Change (YOY %)	+24.7%	+26.5%	+38.0%	+12.3%	+100.0%		+35.2%
Trading EBDITA Change (YOY \$m)	+1.4	+1.7	+1.3	+0.1	+1.3		+5.8
Trading EBDITA Margin (%)	13.9%	22.7%	8.1%	12.0%	22.5%		14.0%
Trading EBDITA Margin Prior Year (%)	13.3%	22.1%	7.7%	12.7%	n/a		13.4%

Notes:

- (1) Equity Associates is share of NPAT of Australian Fresh Milk Holding (10% equity interest held by Freedom Foods Group).
- (2) Corporate costs exclude non cash employee share option expenses of \$1.3m.

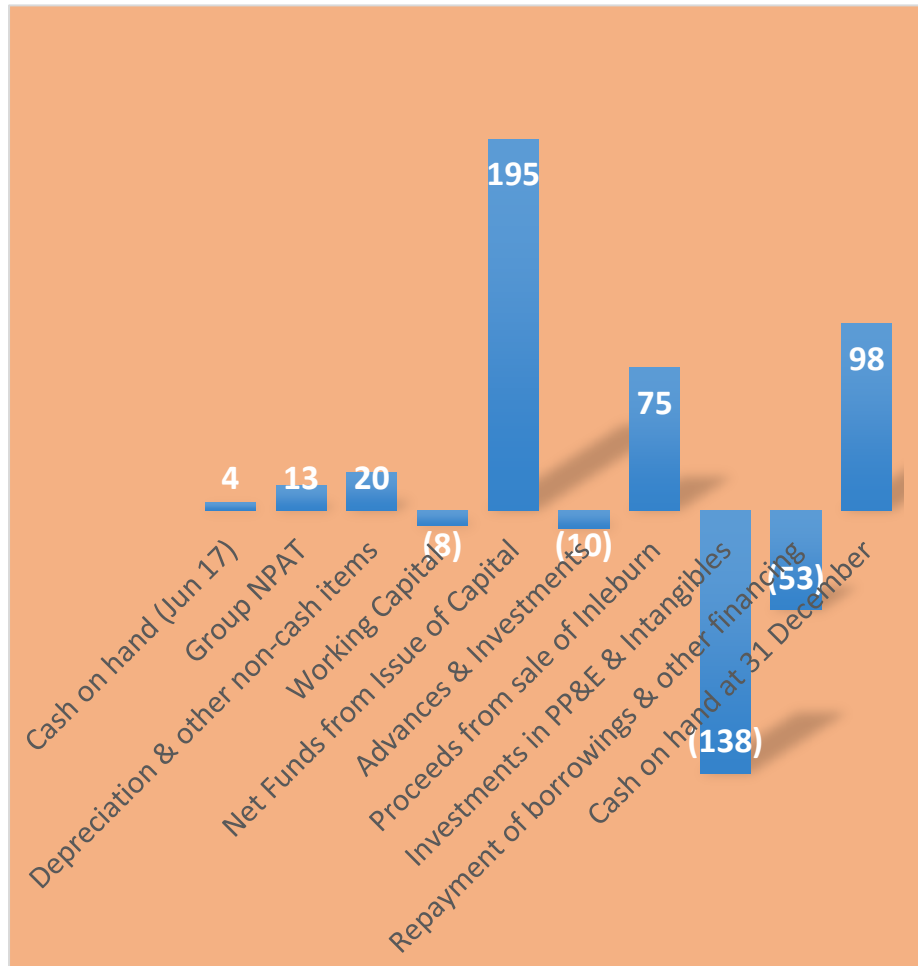
Funds Employed

<i>For the period ending...</i>	30 June 2018 (\$'000)	30 June 2017 (\$'000)	<i>Change</i>
Inventory	81,101	63,388	+ 17,713
Trade & Other Receivables	62,849	65,920	- 3,071
Trade & Other Creditors	(88,069)	(65,629)	- 22,440
Working Capital	55,881	63,679	- 7,798
PP&E	388,883	340,356	+ 48,527
Investments	17,428	7,594	+ 9,834
Intangible Assets	111,130	102,611	+ 8,519
Other Assets	6,353	4,874	+ 1,479
Other Liabilities	(13,690)	(16,704)	+ 3,014
Total Fixed Assets	510,104	438,731	+ 71,373
Total Funds Employed	565,985	502,410	+ 63,575
Net Equity	529,900	321,436	+ 208,464
Total Borrowings	134,191	185,158	- 50,967
Total Cash	(98,106)	(4,184)	- 93,922
Net Debt	36,085	180,974	-144,889
<i>ND / Equity</i>	<i>6.8%</i>	<i>56.3%</i>	<i>- 49.5%</i>

Cashflow

12 Months to 30 th June 2018	FY18 (\$'000)	FY17 (\$'000)	Comments
Cash from Operating Activities	37,017	10,780	
Payment for business acquisition costs	(44)	(1,305)	
Payments for Restructuring	(2,537)	(119)	Taren Point Closure
Net Interest Paid	(2,583)	(2,594)	
Income Taxes Paid	(7,477)	(1,381)	
Total Cash from Operating Activities	24,376	5,381	
Payment for purchase of business, net of cash acquired	-	(72,671)	
Capex on PP&E	(138,348)	(138,506)	Capital Expenditure (PP&E), Product Development
Proceeds from Sale of Assets	74,966	-	Sale (and leaseback) of Ingleburn Land and Buildings
Advances to associates & other parties	(1,182)	(900)	
Investment in equity interest	(8,414)	(953)	Investment in AFMH, AO China Company
Net Cash used in Investing Activities	(72,978)	(213,030)	
Net Proceeds from Equity Issuance	200,285	76,991	Capital Raising March 2018
Dividends Paid	(2,816)	(2,611)	Net of DRP
Proceeds / (Repayment) of Borrowings	(50,966)	81,328	
Other Proceeds / (Repayments)	1,254	(5,694)	
Net Cash from Financing Activities	142,524	147,925	
Net Increase / (Decrease) in Cash	93,922	(59,724)	
Ending Cash Balance	98,106	4,184	

Cashflow - Movements



- The Company held Cash of \$98.1m, with Borrowings of \$134m. Net debt was \$36m, with a net debt to equity of 6.8%
- Cash flow from operations was \$24m, an increase of \$19m from the prior corresponding period. This includes a one-off working capital benefit of \$24.1m from the Company selling the receivables of its major grocery retail customers to the bank under a limited recourse debtors finance facility. The assets were de-recognised as the risk was transferred to the bank
- Total capital investment of \$43.8m relating to capex on plant and equipment at Ingleburn, Shepparton, Leeton and Dandenong
- Proceeds from the sale of Ingleburn of \$75m used to fund continued investment in capital works cross the business and repayment of borrowings

