



ASX ANNOUNCEMENT
ASX Code BUG

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**BUDERIM GROUP'S ACQUISITION TO CREATE GLOBAL LEADING MACADAMIA
MARKETER**

- Buderim Group Limited (ASX:BUG) ("**Buderim**") to become continental USA's largest retail marketer of macadamia nuts through the acquisition of the brands of Royal Hawaiian Orchards, LP (OTC:NNUTU) ("**RHO**")
- Transformative agreements to acquire RHO's brand and combine it with *MacFarms*' retail operations, supported by Hawaii's largest macadamia orchards:
 - Buderim to acquire the first and market leading macadamia nut retail brand "*Royal Hawaiian Orchards*", initially registered over 70 years ago
 - RHO to become a major Buderim shareholder via the issue of shares
 - RHO and Buderim are Hawaii's largest and second-largest macadamia nut orchard owners respectively, and combined will be responsible for over 65% of macadamia production in the USA
 - Long-term agreements will ensure supply security and provenance, including the possibility of establishing joint processing facilities in Hawaii, with synergies to be realised
- Shareholders' meeting will be called to approve the issue of consideration shares and allow Buderim to retain its full placement capacity to fund further growth

Brisbane, 28 February 2018: Buderim Group Limited (ASX: BUG) today announces it has reached agreement to acquire RHO's *Royal Hawaiian Orchards* brand and combine it with the retail macadamia brand, *MacFarms*, via the acquisition of assets held by Royal Hawaiian Macadamia Nut, Inc., a subsidiary of RHO, that constitutes the retail brand business (the "**Transaction**"). The acquisition consideration is 11,220,242 ordinary shares in Buderim, equivalent to 13.04% of Buderim's post-Transaction issued capital.

Chief Executive of Buderim Group, Mr Andrew Bond said: "This transformational acquisition provides a platform for the group to become a global leader, reflecting our renewed strategic focus on leading our chosen markets and segments. The Transaction makes Buderim the no. 1 retail macadamia brand in continental USA, where there remains significant growth potential for this healthy leisure food, rich in vitamins and minerals. The acquisition will also have an immediate positive impact on the business, and will be earnings accretive from the outset."

Retiring Chairman of Buderim, Mr Steve Morrow, said: "Since welcoming new investors in 2017, Buderim has regained its focus in execution. The Transaction delivers on our objectives and enables us to become a leading macadamia marketer in global terms by ensuring the company moves forward in generating profitable growth first in the USA, then in China where the market has become accessible through our relationships."

Newly appointed Chairman of Buderim, Mr Guy Cowan, said: “It is pleasing to see this transformational transaction which will help the company become a leading player in the macadamia industry especially into the important markets of North America, and throughout Asia.”

The Transaction is not contingent on shareholder approval. However, Buderim will call a shareholders’ meeting to approve the issue of the consideration shares to refresh placement capacity so the company has access to full placement capacity to fund future growth. Please see Appendix 1 for details of the Transaction. The Transaction will proceed regardless of shareholder approval.

For nine months to September 2017, the RHO branded products business achieved normalised operating income of over USD 1 million (c. AUD 1.25 million). RHO is the largest owner of macadamia orchards in the USA, producing approximately 10,432 tonnes of macadamia nuts per year. Buderim owns the single largest macadamia orchard in Hawaii, producing approximately 4,989 tonnes per year. Together, Buderim and RHO account for over 65% of macadamia production in the USA.

On completion, Buderim will acquire RHO’s sales and marketing functions, IP and brands, and will enter into a long-term supply agreement with RHO to ensure future supply of macadamia nuts in line with expected growth. The parties will also enter into a processing agreement to optimise the utilisation of their existing processing plants.

Buderim and RHO also intend to work closely together in pursuing efficient orchard management and output with a view to setting industry-leading practices through automation and data analytics.

1. COMPELLING BUSINESS CASE FOR ACQUISITION

Through the combination of the *MacFarms’* and *Royal Hawaiian Orchards’* brands, Buderim will become the largest branded macadamia marketer in continental USA. Importantly, there is little overlap between the brands, which are for the most part sold through different distribution channels or presence in the USA and around the world.

<u>Branding</u>	<i>MacFarms</i> focuses on the provenance of “Fresh from Hawaii” whereas <i>Royal Hawaiian Orchards</i> has focused on the healthy-snack market with gluten-free and non-GMO products.
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<u>Distribution</u>	<i>MacFarms’</i> products are widely available in Hawaii and, in particular, Costco around the world. <i>Royal Hawaiian Orchards’</i> products are available in thousands of stores throughout the USA, such as Whole Foods Market. RHO has also developed a series of single serve products that are available in convenience stores, such as 7-Eleven, showing significant profitable growth throughout different distribution channels.
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RHO recently received approval for its petition to the United States Food & Drug Administration (FDA) to claim that consuming macadamia nuts can help reduce the risk of coronary heart disease under certain circumstances.

Scott Wallace will join the combined business as Executive Vice President – Sales and Marketing, Macadamia, and be based in the USA. Mr Wallace is currently Executive Vice President of Branded Products of Royal Hawaiian Macadamia Nut, Inc., and was previously President of Mauna Loa Macadamia Nut until 2001.

Through the acquisition, it is expected that there will be other cost efficiencies and synergies. Under the processing agreement, RHO and Buderim will utilise each other's processing plants at arm's length to further cost efficiencies. RHO's orchards are mostly machine harvested, whereas Buderim's orchard is currently all hand-harvested. Utilising RHO's husking facility that was built for machine harvest will allow Buderim to more quickly move to machine harvesting and thereby reduce operating costs.

In addition, Buderim and RHO will commit to conducting a joint feasibility study, with a view to establishing a processing plant in Hawaii by 2020. The intention is to adopt industry leading practices and technologies, and ensure the plant also caters for continual product innovation to improve yield and to satisfy consumer demand.

Brad Nelson, CEO of RHO said "This transaction allows us to focus on our orchard business while continuing to participate in the branded products through ownership in Buderim. We are excited to become a major shareholder of Buderim, and look forward to supporting its growth by ensuring that we continue to invest in optimising and expanding our production capacity and capability."

Mr Bond added: "We believe this is a genuinely exciting opportunity that creates a win-win for all consumers, customers, suppliers and employees of the two retail brands as we take it to the next level of growth. In the meantime, we do not intend to change any material aspect of the *MacFarms*' or *Royal Hawaiian Orchards*' macadamia brands."

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About Buderim Group Limited

From a small Ginger Growers Cooperative in 1941, to one of the world's leading ginger producers and marketers of confectionery ginger, Buderim Ginger is a long-standing and proudly successful Australian business. It is also a major processor and marketer of macadamia nuts through MacFarms in Hawaii. The Group's public face is the renowned and highly awarded tourism attraction, The Ginger Factory, located on Queensland's Sunshine Coast.

Appendix 1 - Transaction details

Parties	MacFarms, LLC (wholly owned subsidiary of Buderim Group Limited) (Buyer) Royal Hawaiian Orchards, L.P. (Seller)
Assets to be purchased by Buderim	All assets which are currently owned by the Seller and used in the marketing and retail sales of macadamia nuts under the Seller's trademark and trade name brands, including but not limited to the Royal Hawaiian Orchards brand.
Consideration Shares	The issue of 11,220,242 ordinary fully paid shares in Buderim to the Seller which at completion is expected to represent 13.04% of Buderim's issued share capital (Relevant Percentage).
Top-Up Rights	Subject to receipt of an ASX waiver, the Seller, or its wholly owned subsidiary, will have the right to maintain, by way of a right to participate in any issue of shares or to subscribe for shares, the Relevant Percentage if a diluting event occurs or is announced following completion of this Transaction. Diluting events exclude share issues under any employee incentive scheme (up to a maximum of 10% of the total share capital), in consideration for any acquisitions or any share reorganisation. The Top-Up Rights will lapse 2 years after the Completion Date. Buderim will advise the terms of any waiver received.
Completion Date	No later than 10 business days after signing
Commercial Agreements	<p>At Completion, the parties have agreed to enter into the following commercial agreements:</p> <ul style="list-style-type: none"> • Supply Agreement – 5 year agreement under which the Seller commits to providing minimum volume of kernels at market prices as agreed with the Buyer from time to time. • Processing Agreement – 5 year agreement under which the Seller will process all mechanically harvested macadamia nuts from the Buyer's Hawaiian orchards which the Buyer requests the Seller to process and the Buyer will process all hand-harvested macadamia nuts from the Seller's Hawaiian orchards which the Seller requests the Buyer to process. Processing to be at market rates to be agreed from time to time. The agreement will automatically extend for additional one year periods unless terminated by either party. • Feasibility Study Agreement – the parties will cooperate in good faith to explore and study the feasibility of jointly constructing, operating and maintaining a macadamia-nut processing facility in Hawaii which the parties would use to process each other's macadamia nuts on a cost-plus pricing basis. Each party will contribute up to US\$200,000 for the feasibility study. The parties will use their good faith efforts to complete the feasibility study within one year of Completion Date. <p>There are cross-default provisions under each Commercial Agreement.</p>
Non-competition	For three years after signing, the Seller has agreed not to compete with the marketing and retail business being sold or divert away customers, suppliers and employees or take action that adversely affects, or could potentially affect, the marketing and retail business.
Other	The Asset Purchase Agreement also contains customary provisions for a transaction of this size and type including as to representations and warranties, conduct of the marketing and retail business between signing and closing and cash adjustments for revenue and expenses. All contracts are governed by Hawaiian law.