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ASX Announcement

17 October 2019

2019 AGM Addresses to Shareholders and Trading Update

Please find attached on behalf of HRL Holdings Limited (ASX: HRL) the Chairman's address and the CEO's address to be delivered today to the shareholders at the Company's Annual General Meeting to be held at 11:00 am at Level 7 Waterfront Place, 1 Eagle Street, Brisbane, QLD 4000.

Paul Marshall
Company Secretary
HRL Holdings Ltd

Greg Kilmister
Chairman
HRL Holdings Limited

Annual General Meeting - 17 October 2019

Ladies and Gentlemen,

This is my first year addressing you as Chairman of HRL. I wish to acknowledge the directors of the Company in the placement of their faith in me to chair this company into the next phase of its development, as HRL cements its place as a significant player in the Australian and New Zealand testing, inspection and certification markets.

I will take the formal accounts for the Company for the 2019 Financial Year as being read.

The year under review was a mixed year for your company with the first half financial performance being poor by any standards. However, in the second half the Board and executive team refocused the Company on the basics; restructuring the businesses for current market conditions; streamlining the cost base; and focusing on growing and diversifying revenues. Our CEO, Steve Dabelstein, will provide further detail on these initiatives and more importantly the exciting developments and opportunities now presented to the Company.

The second half showed a significant turnaround in financial performance and the Company is now back on track and in a position to pursue new technologies, new market sectors and further developments. Again, Steve will provide further insight into some of these future opportunities.

Early in 2020 we will be revisiting the Strategic Plan for HRL. This will be important in providing a longer-term road map for where HRL is going and what HRL will look like through the next five years.

This has also been a transformational year for your Board, with me coming on as non-executive Chairman, Darren Anderson moving from an executive Chairman role to a non-executive director role, and John Taylor retiring as a director of the Company at the conclusion of this meeting. I take this opportunity to acknowledge John's contribution to the company over the past five years and to thank him on behalf of the Company and Shareholders. Unfortunately John could not attend this meeting today as he is attending the funeral of a dear friend who passed away last week. The Board is in the final stages of selecting a non-executive Director to replace John and complement the Board skills. An announcement in this regard is likely to be made over the next week.

I wish to thank our CEO, Steven Dabelstein, the Executive team at HRL and all of our valued employees in the operating individual business units in both Australia and New Zealand for their diligence, enthusiasm and commitment throughout the past year. Some mistakes were made, lessons learnt, and a lot of scar tissue was earnt through the year, but that experience will hold us in good stead through the coming years. I am confident that HRL Holdings is in an excellent position to embark on an exciting period of growth and development in the years to come.

Finally, and importantly, I would like to thank our loyal shareholders, customers and suppliers for their support throughout the past year, and I would like to assure all stakeholders that we are working very hard to increase the value the company delivers.

I am now pleased to invite our CEO, Steven Dabelstein, to provide his report to you.

Steve Dabelstein
CEO
HRL Holdings Limited

Annual General Meeting
11am on 17 October 2019

FY2019 was a challenging year for HRL. The underlying EBITDA of $4.45M, although disappointingly lower than FY18, was a reasonable recovery after noting the decrease in drugs of abuse (methamphetamine) property testing earnings of circa $2.5M EBITDA contribution for the full year.

HRL has made 75% of the earnout payments to the Analytica vendors as at 30 June 2019. The remaining 25% will be cleared by November 2019 in accordance with the acquisition terms. Net of earnout payments, HRL produced operating cashflow of $2.7M in FY2019.

We are making use of some short-term debt facilities in the first half of FY2020 to meet the balance of the earnout obligations and continue to invest in business growth initiatives. The strong cashflows expected in the second half will significantly strengthen the balance sheet by the end of the financial year.

	FY2019 $000's	FY2018 $000's	INCREASE $000's
Revenues	30,755	27,307	3,448
Underlying EBITDA[1]	4,451	5,775	(1,324)
Underlying NPAT	1,534	2,874	(1,340)
Operating cash flows generated [2]	2,747	4,567	(1,820)
Working capital [3]	2,025	3,229	(1,204)
Net cash/(borrowings) [4]	(3,567)	4,278	(7,845)
Statutory loss after tax [5]	(7,127)	(1,504)	(5,623)

1. Underlying EBITDA, EBIT and NPAT reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Group, in accordance with AICD/Finsia principles of recording underlying earnings. Underlying profit measures have not been audited. Refer to Appendix A for further details of non-underlying items.
2. Excludes cash outflows associated with vendor earnout costs.
3. Working capital is defined as net current assets, excluding an interest only loan drawn to $1,911,741 which has no expiry but it subject to annual review by Westpac.
4. HRL has additional undrawn facilities at 30 June 2019 of $1,918,727.
5. Statutory loss includes non-operating items as detailed in Appendix A in the 9/8/19 FY19 Investor Presentation

The decline in the New Zealand drugs of abuse (methamphetamine) property testing market and challenging trading conditions in the HAZMAT and Geotechnical businesses had a material impact on earnings for the first half of the year. In response, several market diversification and restructuring initiatives were put in place which saw second half results improve markedly.

The business restructuring efforts are largely complete allowing us to focus on organic growth centred around high value, high throughput commercial laboratory testing. I am pleased with the early client uptake in new services which will become more profitable as they scale with time.

ANALYTICA REVENUE GROWTH FY19 v PCP

- Dairy +16%
- Environmental +93%
- Honey +14%
- Authenticity & Trace +51%
- Drugs of abuse (methamphetamine) -48%

Our FY2019 strategic objectives were substantially fulfilled including:

1. Leveraging off Analytica intellectual property and know-how to enter new service lines in both Australia and New Zealand;

2. Utilising new equipment, technology and software platforms to improve efficiencies and margins;

3. Concentrated business development plans to target new customers and protect the existing customer base;

4. Continued emphasis on cross selling opportunities across all business units; and

5. Using the OCTFOLIO software platform to target new clients and provide enhanced service offerings to existing clients of the other business units.

What we said	What we did	
Expand Analytica in both NZ and Australia through new services	HRL has launched new beta casein, NMR, PFAS, glyphosate, oxygen isotope, R&D services	✓
Utilise new equipment, technologies and software to improve efficiencies	New technology installed in Brisbane, delivering lab throughput improvements. NZ trialing AI image recognition	✓
Grow client base	Market penetration and revenue increased in Octfolio, Analytica & Morrison	✓
Explore cross selling opportunities	OCTIEF (Aus) receives lab work from Analytica NZ for acid sulphate soils and crystalline silica	✓
Expand OCTFOLIO software and increase client base	Revenue increased YoY +146% through expanded modules and new clients	✓

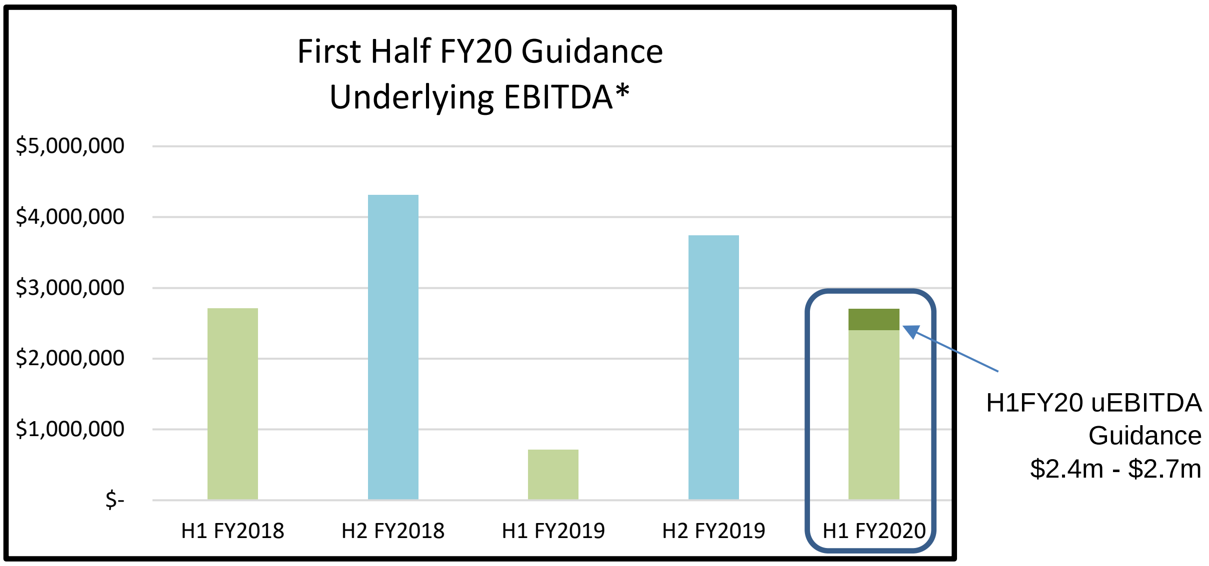
During the year HRL entered into an agreement with MilkTestNZ to create a new 50:50 joint venture company which will initially provide analytical testing service to the wider New Zealand dairy industry. The joint venture agreement represents an expansion of the existing strategic alliance between HRL and MilkTestNZ, which focussed on liquid milk testing. The JV has appointed a General Manager, secured temporary laboratory facilities, and has begun method development with its foundation technical staff. This green field venture will progressively work through method development, certification/accreditation and marketing activities, with first revenues not expected until FY21.

HRL has successfully increased its social responsibility focus this year with a 25% reduction in total reportable injuries (TRI) in the second half. We are proud of our diverse workforce which now includes 47% female representation. Recycling initiatives at our main laboratory in Hamilton NZ has seen a 40% reduction in laboratory glass/plastic waste. We have chosen three key charities to support throughout the year.

We are well underway delivering some new strategic initiatives for FY2020.

- The main laboratory site in Hamilton New Zealand has been expanded to facilitate new microbiology testing capabilities.
- Sales and profit margin momentum continues from H2FY2019, with notable success in:
    - Exciting new customer contracts for NZ dairy testing services; and
    - The OCTFOLIO software division has secured a 5 year contract for $1.5M for a key government agency.
- We continue to invest in emerging technologies to expand our laboratory capabilities where there is customer demand for new testing services.
- HRL expects to have the financial and management capacity in 2020 to consider new acquisitions.

Trading Update and Guidance



Underlying EBITDA is defined as EBITDA adjusted for Analytica earnout, JV share of losses, one-off restructuring expenses (in FY19) and any acquisition related expenses. See Appendix A in the FY19 Investor Presentation for full details.

The above guidance has been calculated on a consistent basis with prior year reporting and excludes the impact of adopting AASB16. EBITDA calculated under AASB16 will increase as rental expenses are reclassified as borrowings and amortisation.

We are now just over three months into the new financial year, and it is therefore appropriate to provide some commentary around our expectations for the first half of this new year. Whilst it is always difficult to predict future market conditions, we are seeing the momentum of the second half of last year carry forward into the new year.

For the first quarter of the current financial year we have seen revenue growth of 15% over the first quarter of FY2019 and more importantly the Company's underlying EBITDA, in what is traditionally the off season for the main business in New Zealand, is tracking slightly ahead of budget and analyst consensus.

The Board expects underlying EBITDA in the December 2020 half year to be in the range of $2.4M to $2.7M. This guidance of course assumes no material change in market activity levels, foreign exchange rates, and no material adverse events in the Company's business activities.

Thank you.