

FINANCIAL RESULTS HY 2020

COMPANY PRESENTATION

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February 2020



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HY20 Results Highlights

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NET SALES⁽¹⁾

\$277.1 million

↑ 32.6% on prior year

OPERATING EBITDA⁽¹⁾⁽²⁾

\$32.7 million

↑ 55.6% on prior year

GROSS MARGINS⁽¹⁾⁽²⁾

27.1%

From 24.7% on prior year

OPERATING NET PROFIT⁽¹⁾⁽²⁾

↑ 42.1% to

\$9.1 million

STATUTORY NET PROFIT⁽³⁾

↑ 45.6% to

\$5.4 million

INTERIM DIVIDEND

2.25 cents

per share (unfranked)

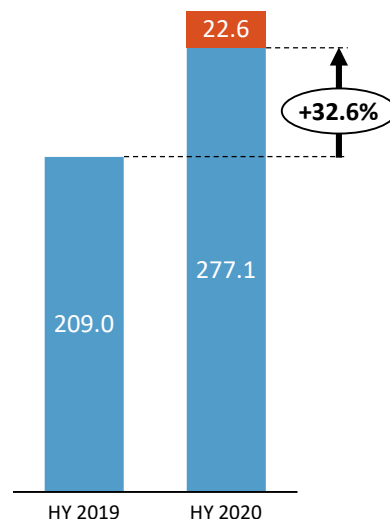
1. Surplus milk was traded at a loss during HY2020 due to commissioning at Shepparton site. This is not expected to be an ongoing cost to the business in future periods and therefore has been removed for comparative purposes
2. HY20 results exclude the impact of AASB 16. Refer to Appendix 1 for reconciliations of Statutory and pre application AASB 16 result
3. Refer to Appendix 2 for reconciliation of Operating and Statutory result

HY20 Results Highlights

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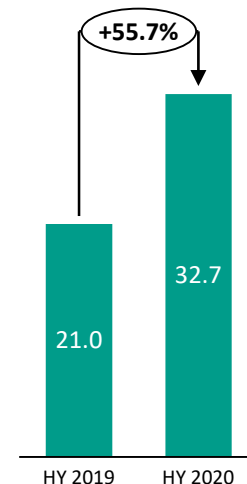
- ✓ Growth achieved in key branded categories and channels
- ✓ Launch of specialised Nutritional Ingredients including Lactoferrin (LF), Micellar Casein (MCC) and Whey Protein Isolate (WPI)
- ✓ Australian retail grocery growth of 23%, above category average growth rates (1.3%)
- ✓ Growth in export markets, including exceptional growth in SE Asia with sales revenues 58%
- ✓ Successful launch of 40 new product formats
- ✓ Finalised the upgrade to double total processing capacity to 500 million litres per annum in Shepparton
- ✓ Accelerated the final stages of major capital investment
- ✓ Historically stronger 2nd half driven by seasonality

Sales Growth



Traded Milk¹

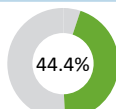
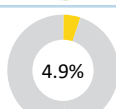
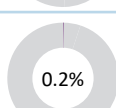
EBITDA Growth



1. Surplus milk was traded at a loss during HY2020 due to commissioning at Shepparton site. This is not expected to be an ongoing cost to the business in future periods and therefore has been removed for comparative purposes

HY20 Results Highlights - Segments

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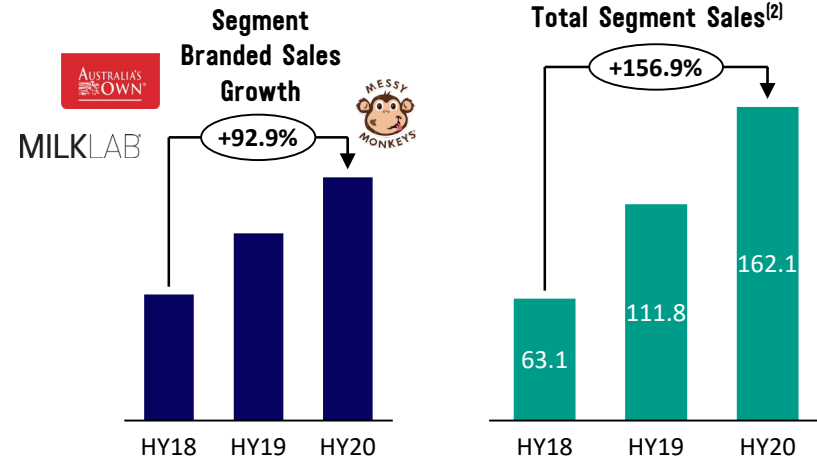
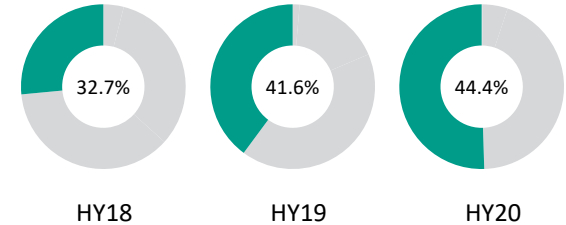
HY20 Results1 (\$ million)		HY 2020	HY 2019	\$ Change	% Change	Composition of Trading EBITDA
Dairy & Nutritionals⁽²⁾	Net Sales Value	162.1	111.8	50.3	+45.0%	 50.5%
	Trading EBITDA	23.9	11.8	12.1	+102.5%	
	Margin	14.8%	10.6%	+4.2%		
Plant Based	Net Sales Value	64.6	46.4	18.2	+39.2%	 44.4%
	Trading EBITDA	21.0	12.3	8.7	+70.7%	
	Margin	32.5%	26.5%	+6.0%		
Cereals & Snacks	Net Sales Value	43.4	43.1	0.2	+0.7%	 4.9%
	Trading EBITDA	2.3	5.1	(2.8)	-54.9%	
	Margin	5.3%	11.8%	-6.5%		
Specialty Seafood	Net Sales Value	7.1	7.8	(0.7)	-9.0%	 0.2%
	Trading EBITDA	0.1	0.4	(0.3)	-75.0%	
	Margin	1.7%	5.7%	-4.0%		
Unallocated Shared Services	Equity Associates	0.7	0.2	0.5	+250.0%	
	Corporate Costs	(15.4)	(8.9)	(6.5)	+73.0%	
Total Group⁽¹⁾	Net Sales	277.1	209.0	68.0	+32.6%	
	Operating EBITDA	32.6	21.0	11.7	+55.2%	
	Margin	11.8%	10.0%	+1.8%		

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Sales and Brand highlights

- ✓ Delivered 45.0% sales growth⁽²⁾
- ✓ Increased demand in Australia, China and SE Asia
- ✓ Australia's Own (AO) dairy brand achieved 20.1% (MAT) share of branded UHT white milk
- ✓ Earnings contribution improved from 10.6% to 14.8%⁽¹⁾⁽²⁾
 - Sales mix to higher margin dairy components
 - Increased factory utilisation
- ✓ Integrated dairy nutritionals operation contributed to sales and earnings
- ✓ Expanding distribution into SE Asia, with market penetration in Singapore, Vietnam and the Philippines

Composition of Group Trading EBITDA



1. HY20 results exclude the impact of AASB 16. Refer to Appendix 1 for reconciliations of Statutory and pre application AASB 16 result
 2. Surplus milk was traded at a loss during HY2020 due to commissioning at Shepparton site. This is not expected to be an ongoing cost to the business in future periods and therefore has been removed for comparative purposes

Shepparton UHT Facility

- ✓ Processed volume was 150 million litres up from 107 million litres in HY19
- ✓ FY20 estimates of upwards of 350 million processed litres
- ✓ Finalised upgrades to double total processing capacity to 500 million litres per annum

Integrated Nutritional Facility

- ✓ Sales commenced for Native Whey Protein Isolate (WPI) and Lactoferrin (LF)
- ✓ Fast tracked stage two of a transformational nutritionals capability
- ✓ Lactoferrin capacity expansion, 40 tonnes from July 2020 to meet contracted requirements into 2021

Shepparton UHT Capacity

Capacity	Total
Litres	500m

Lactoferrin Capacity

Capacity	Total
Tonnes	40

Estimated site volumes from July 2020 - 6 days annualised



Shepparton Solar Project Update

- ✓ Completion in February 2020 of the largest on roof solar battery project in Victoria
- ✓ Carbon offset for this project is in excess of 5,000 tonnes of CO2 or in terms of trees it is equivalent to 1,700 trees being planted
- ✓ Solar panels & battery project to be commenced at Ingleburn in late FY 2020



Equity company AFMH operating large scale digester to reduce carbon footprint of large scale dairy operations

Vertically integrated model commercialising our Industrial Nutritional



Integrated Nutritional Facility in Shepparton



Nutritional Ingredients



Consumer Brands

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Consumer Nutritionals Developments

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New Product Development

New nutritional products launching in FY 2020, delivering innovative formats and featuring ingredients made in our new Shepparton facility



New Product Launch

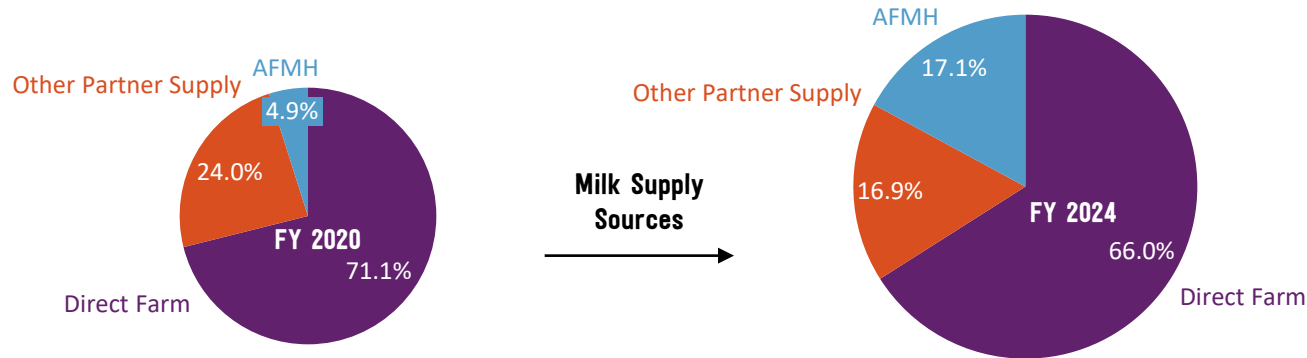
In February 2020, the VITAL LIFE brand launched with VITAL LIFE™ Immune Shot with Lactoferrin, Manuka honey and Vitamin C



Available online now & on retail shelves in May 2020

Milk Supply Outlook

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- ✓ Direct supply strategy;
 - Long term pricing relationships
 - Supports the Groups growth demands
 - Provides farming partners certainty and ability to invest
- ✓ FY20 supply expected to be 400 million litres
- ✓ FY21 supply expected to be around 430 – 440 million litres



The largest dairy milk producer in Australia, forecasted to produce more than 190 million litres by end of FY 2021



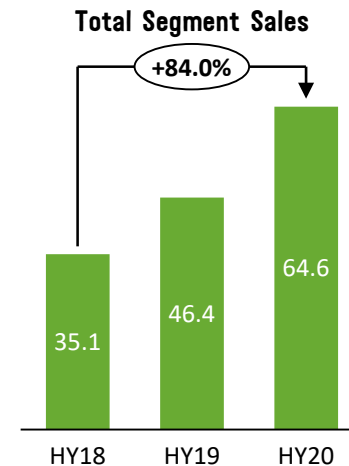
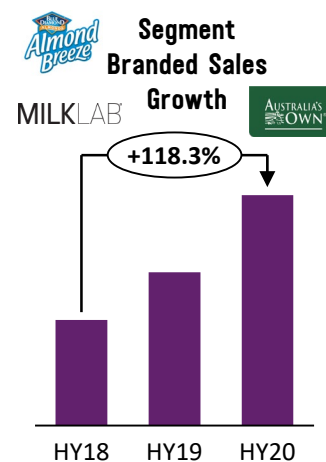
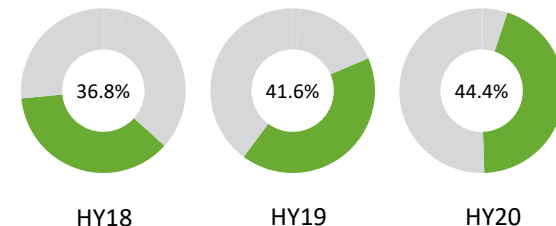
Coomboona Dairy Operations in Northern Victoria

- ✓ Increasing capacity from 3,500 to 8,000 milking cows
- ✓ Acquisition of Torrumbarry Aggregation
 - 4,083 hectares on the Murray River
 - Significant water rights
 - Supports accelerated expansion plans at Coomboona and Moxey operations
- ✓ Freedom Foods contributed \$4.0 million as part of the acquisition
- ✓ AFMH is a strategic partnership owned by the Moxey and Perich families, in which Freedom has a 10% equity shareholding

Sales & Brand Highlights

- ✓ Delivered +39.2% sales growth
- ✓ Retail and Out of Home brands key drivers
- ✓ Earnings contribution improved from 26.5% to 32.5%⁽¹⁾
 - Sales mix to higher margin channels in Out of Home and SE Asia
 - Improved factory utilisation
- ✓ Branded volume growth of 32% and sales revenue growth of 50%
- ✓ Largest supplier of almond beverages in grocery retail
- ✓ Distribution secured with multiple major speciality food chains & quick service restaurants

Composition of Group Trading EBITDA



1. HY20 results exclude the impact of AASB 16. Refer to Appendix 1 for reconciliations of Statutory and pre application AASB 16 result

UHT facility at Ingleburn

- ✓ Capabilities to support for long term growth
- ✓ Strong volume efficiency developing - global record for Tetra Pak 1 litre highspeed filler achieved in February 2020
- ✓ Due to accelerated growth, fast tracked filling capacity installations and upgrades to be completed by June 2020
- ✓ Site provides redundancies for Shepparton
- ✓ PET line to be installed in FY 2021

Ingleburn UHT Capacity

Capacity	Total
Litres	210m

Estimated site volumes from July 2020 - 6 days annualised



Plant-Based Brand & Product Development

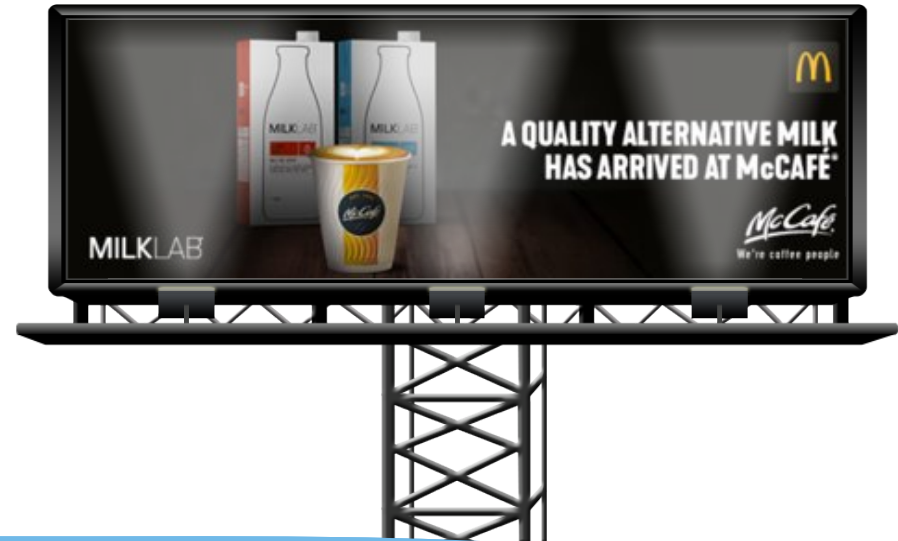
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The Group continues to be recognised as market leaders for innovation



Additional new plant for coffee and plant-based beverages launching in FY 2020

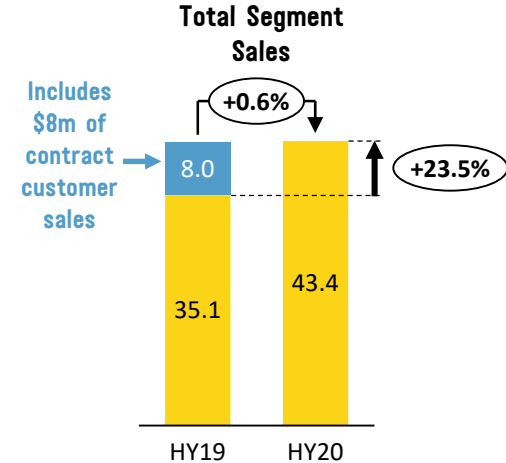
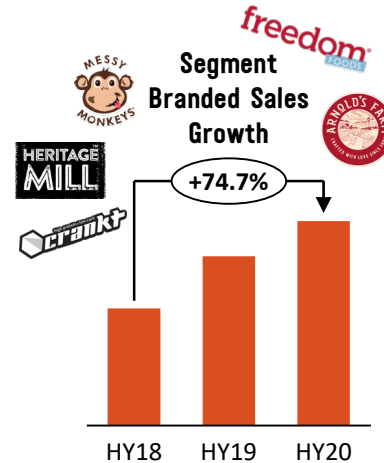
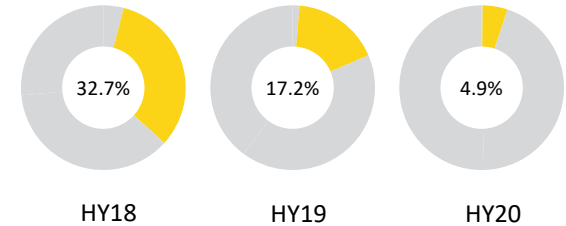
McDonald's to feature Milklab on 25 billboards in Melbourne Metro area from March 16-29



Sales & Brand Highlights

- ✓ Sales growth of +0.7% reflecting strategic decision to deprioritize contract customers in cereals and snacks to release capacity for our brands
- ✓ Prior year's results includes key contract customer sales of \$8m
- ✓ Earnings contribution declined largely due to;
 - Investment in higher trade investment building brands
 - Lower factory utilisation
- ✓ Significant progress rebuilding these sales through key brands
- ✓ Focus on driving margin improvements through brands, new product development and scale
- ✓ Messy Monkey's is the No 1 selling "new" brand in the health food section
- ✓ Heritage Mill brand has already achieved a 30.1% share (MAT) of the breakfast cluster and muesli category in Coles Supermarkets

Composition of Group Trading EBITDA



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Product Development



New snacking products launching in FY 2020, expanding on existing ranges and utilising our snacking operations in Leeton & Dandenong

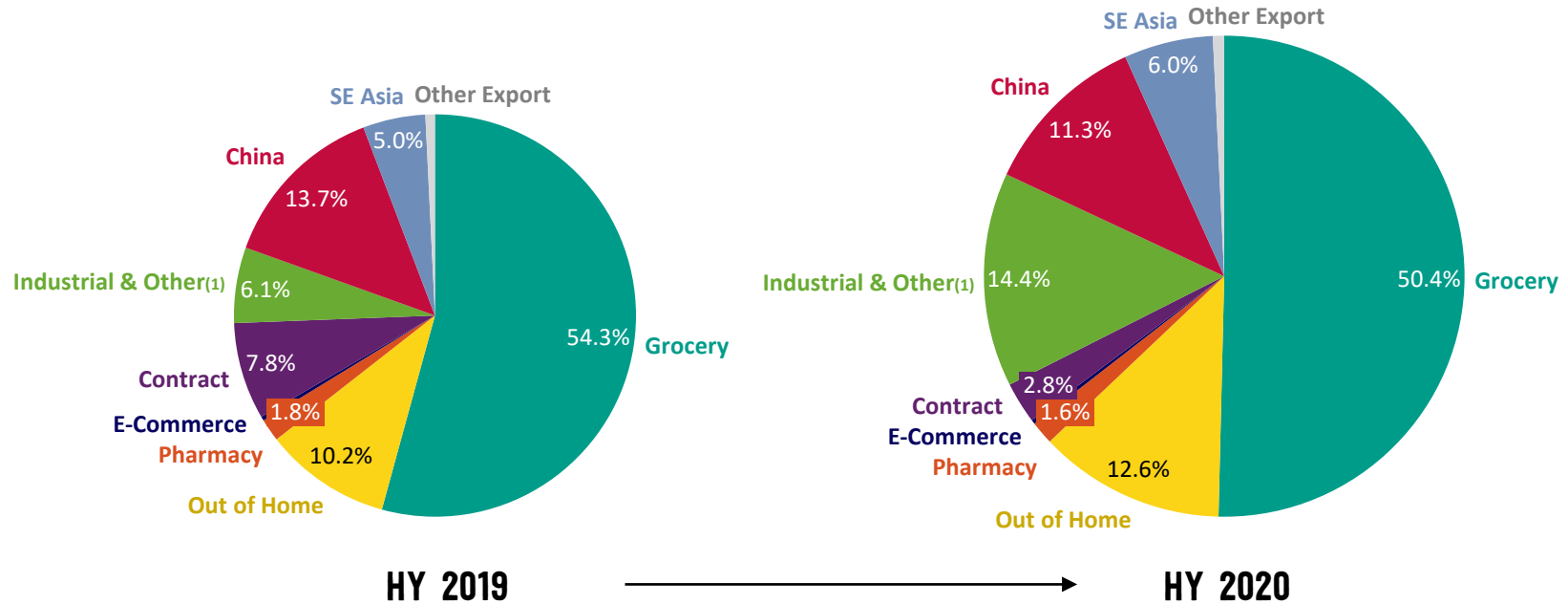


Crankt protein snacks featuring ingredients made in our new Shepparton facility

Driving Messy Monkeys brand awareness through partnership with Shoes & Sox during our “Back To School” campaign



Continued strong demand through diversified markets & channels



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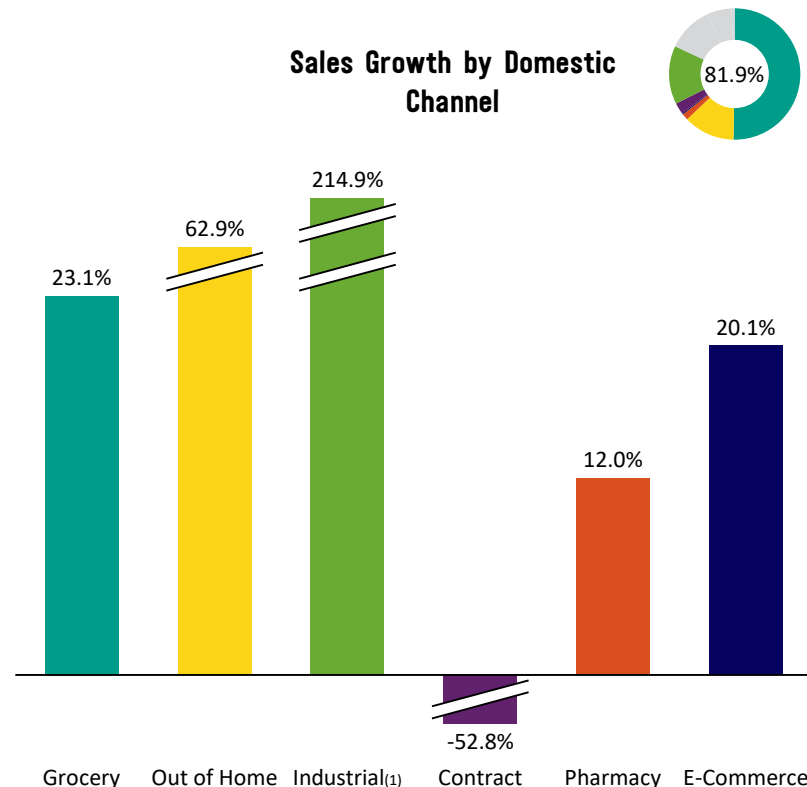
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Highlights

- ✓ Sales in domestic channels increased by 35.0%, contributing \$58.9 million in sales growth
- ✓ Key drivers were:
 - Australian retail grocery growth of 23%, above category average growth rates (1.3%)
 - Strong sales growth in out of home brands, with Milklab range sales increasing by 152% from to HY19 and 39% compared to H2 FY19
 - Lactoferrin and Native Whey Protein Isolate contributing to the 214.9% growth in Industrial⁽¹⁾
 - Contract declined -52.8%, reflecting strategic decision to deprioritize contract customers in cereals and snacks to release capacity for our brands
 - Growth in Vital Strength and Crankt nutrition brands, building penetration into Pharmacy and convenience channels

Sales Growth by Domestic Channel



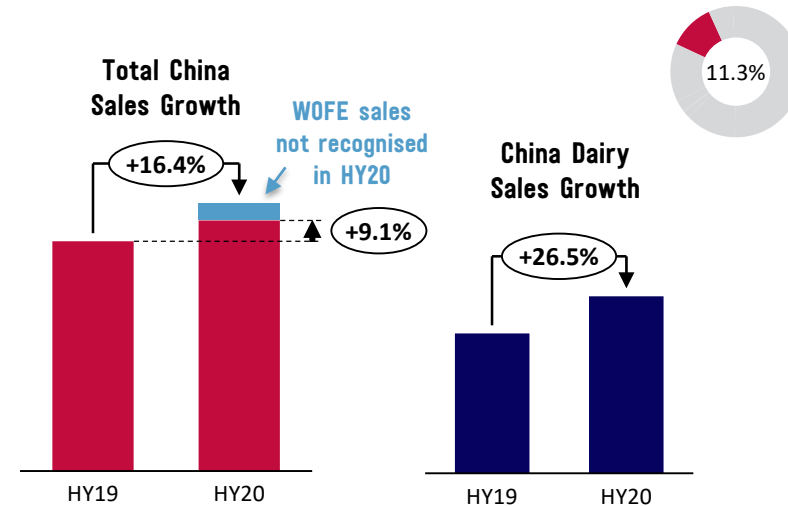
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Market Highlights

- ✓ Delivered sales growth +9.1%
- ✓ Established wholly owned foreign enterprise (WOFE) to improve service and efficiencies
- ✓ Sales growth impact +7.3% due to set up of the WOFE
- ✓ Growth impacted by supply constraints relating to the UHT capacity expansion, supply will not be an ongoing issue
- ✓ Dairy continued to be the key driver
- ✓ Developing new innovation as cereals & snacks segment continues to grow in awareness
- ✓ Offline channels sales reduced with transitions to new offline partnerships

Coronavirus

- ✓ Short-term disruption over next few months expected
- ✓ Underlying medium-term demand from key customers remains unchanged



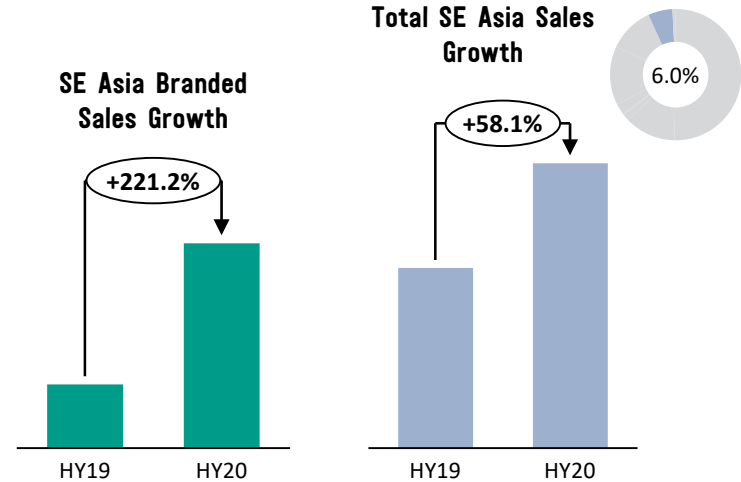
AO China

- ✓ Business continues to grow strongly
- ✓ Sales for CY19 were RMB 350m (AUD \$76m)
- ✓ +66m packs sold

Freedom has 10% shareholding in AO China with an option for an additional 20% in May 21

Market Highlights

- Exceptional sales growth 58.1%
- Freedom branded range key growth driver 221.2%
- Significant growth potential with in branded and contract products
- Strong customer relationships in markets such as Singapore, Malaysia, the Philippines and Vietnam
- Multiple new customers expected to start as new filling capacities come online during CY 2020
- Region provides important hedge to assist in mitigating potential impacts from short term disruption to markets



Instore displays in Malaysia



Instore displays in Singapore

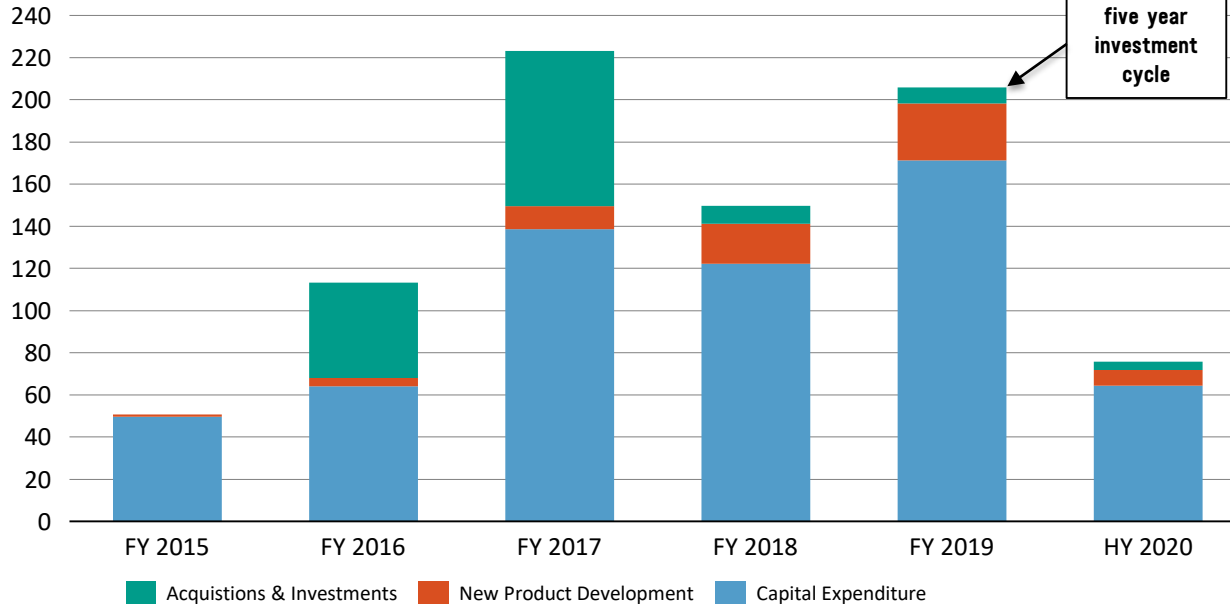


Milklab Asia Instagram

Creating Capacity for Growth

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5 Years of Investments



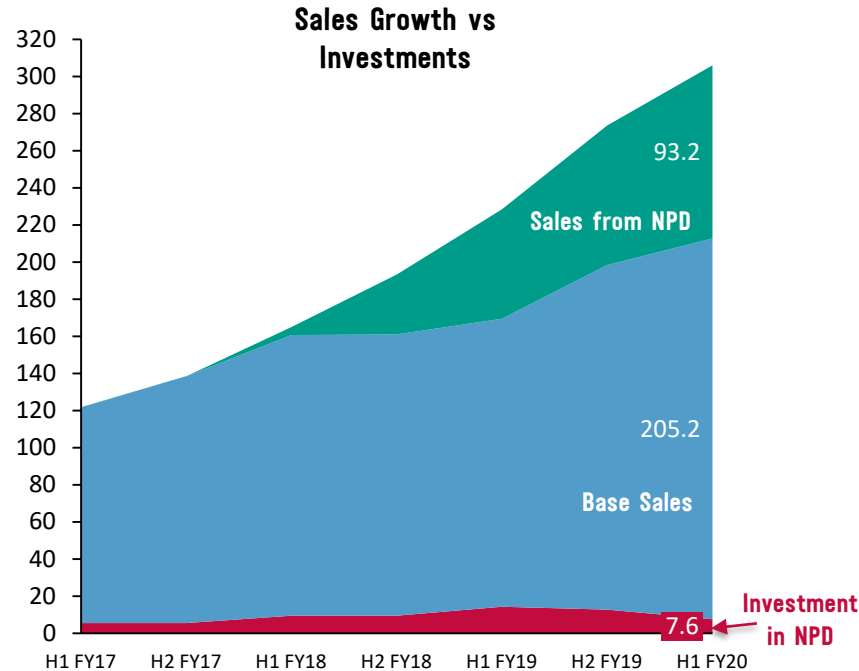
New Product Development
\$62.0M

Acquisitions & Investments
\$134.8M

Capital Expenditure
\$545.6M

Sales Growth from New Product Development

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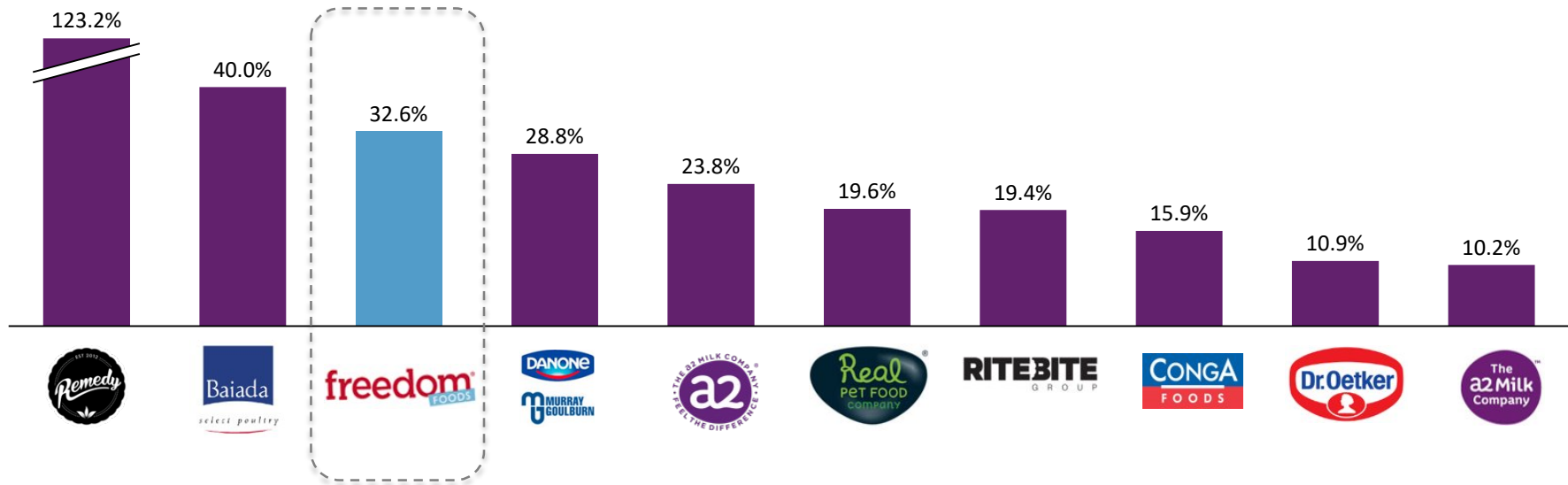
Highlights

- ✓ Sales generated from products launched since 2017 contributed \$93.2m (31% of total sales)
- ✓ 41 new products were launched
- ✓ Investment of \$7.6m in new product development (\$6.7m reduction from HY 2019)
- ✓ Material reduction in investment to continue in 2nd half

Top 10 FMCG Growth Drivers

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We remain a key growth driver for branded sales in Australian grocery

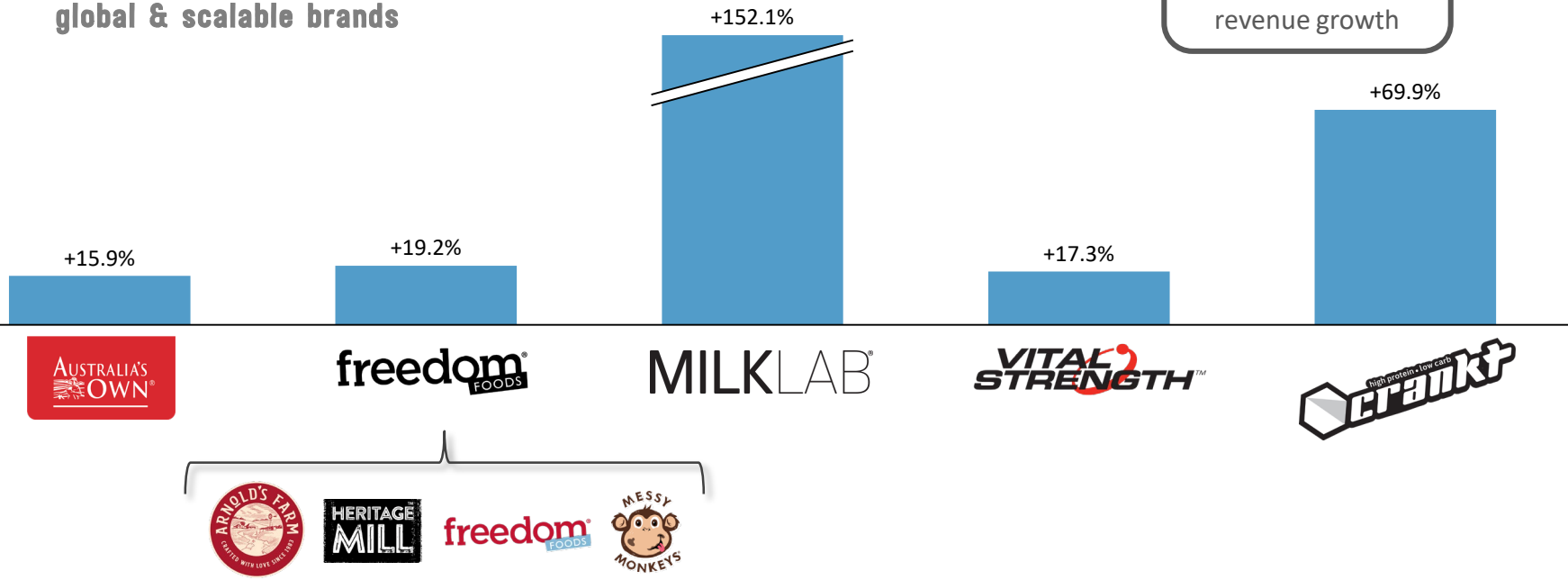


HY20 Key Brand Performance

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Our focus is on our
global & scalable brands

These 5 brands
represent 74.3% of
our HY 2020 brand
revenue growth



HY20 Funds Employed

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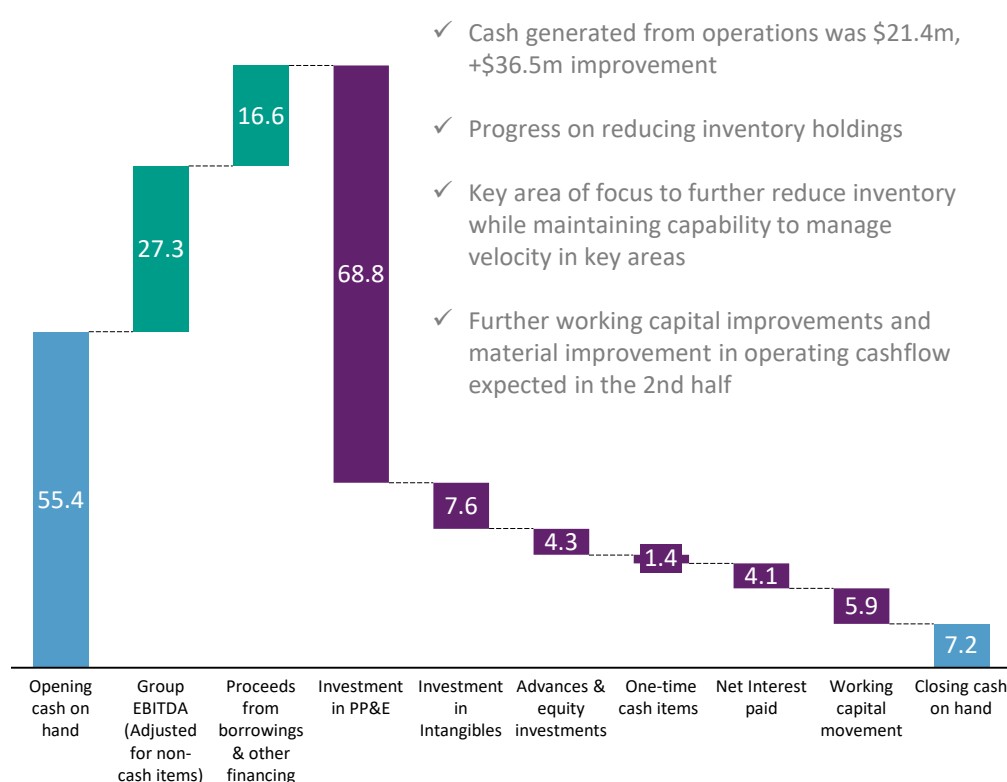
- ✓ Significant progress made on inventory management. Key area of focus to further reduce while maintaining capability to manage velocity in key areas in 2nd half
- ✓ Trade receivable increased 12.5%, reflecting a reduction in days outstanding compared to sales growth
- ✓ Capital investment planned for FY21 was accelerated in the period, large proportion of remaining program to be completed by July 2020
- ✓ Investment in intangibles matched amortisation for the period, with new product development reducing to \$7.6m
- ✓ Investments accounted for using the equity method included the AFMH acquisition of the Torrumbarry Aggregation \$4.0m
- ✓ Restructure of the Group's syndicated banking facility completed, total available facilities was \$158.0m⁽²⁾

<i>For the period ending⁽¹⁾ (\$ Million)</i>	31-Dec-19	30-June-19	<i>Movement</i>
Inventories	122.3	120.2	2.1
Trade and other receivables	98.7	87.7	11.0
Trade and other payables	(111.7)	(111.9)	(0.9)
Working Capital	109.3	96.1	13.3
Property, plant and equipment	602.8	548.4	54.4
Investments accounted for using the equity method	28.6	23.8	4.8
Intangibles	146.0	145.9	0.1
Other non-cash assets	5.7	3.5	2.2
Other non-debt liabilities	(27.2)	(24.8)	(2.6)
Total Fixed Assets	755.7	696.8	58.9
Borrowings	195.7	177.4	18.3
Cash and cash equivalents	(7.2)	(55.4)	(48.2)
Net Debt	188.5	122.0	66.5
Total Funds Employed	865.0	792.9	72.1
Net Equity	676.5	670.9	5.6

HY20 Cash and Liquidity

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For the period ending ⁽¹⁾ (\$ million)	HY 2020	HY 2019
Operating EBITDA (Adjusted for non cash items)	27.3	20.4
Working Capital Movement:		
Increase in trade & other receivables	(13.1)	(4.9)
Increase in inventories	(2.1)	(23.1)
Decrease/(increase) in deferred tax assets	0	1.5
Increase in other operating assets	(4.3)	(6.3)
Increase in trade and other payables	15.4	1.3
Decrease in provision for income tax	0	(4.9)
Increase for provision in employee entitlements	0.4	0.9
Cash generated from operations	21.4	(15.1)
One-time cash items	(1.4)	(0.2)
Net Interest paid	(4.1)	(3.7)
Income Tax Paid	(0.0)	(4.9)
Cash generated from operations	16.8	(23.9)
Net cash used in investing activities	(80.7)	(100.4)
Net cash from financing activities	16.6	35.8
Net increase/(decrease) in cash and cash equivalents	(48.2)	(88.4)
Cash and cash equivalents at the beginning of the financial year	55.4	98.1
Cash and cash equivalents at the end of the financial year	7.2	9.7



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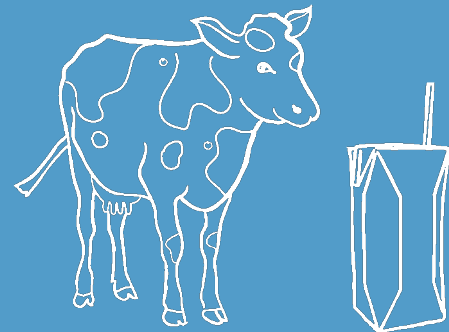
Our increasing scale and diversification of the Group's activities provides an important hedge to assist in mitigating potential impacts from short term disruption to markets

MILKLAB



- ✓ Well positioned to build into a major global food and beverage business with scale
- ✓ Diversification in sales, together with earnings growth, from key markets and channels in Australia, China and SE Asia
- ✓ Our key brands will be at the forefront of driving our returns
- ✓ Growth in sales and financial returns in our plant-based beverage business reflects the investment in brands and new capabilities at the Ingleburn site in Sydney
- ✓ Increasing base of dairy volume within the Group with the focus on driving the dairy business towards speciality and high value-added products
- ✓ New product revenue streams from the Nutritionals capability are expected to positively impact sales and earnings
- ✓ Cereal and snacks business are strategically well positioned to build a growth platform in multiple products, channels and distribution with a strong focus on margin expansion
- ✓ Strong demand across its business activities in key channels and markets

APPENDIX



a) Group Profit and Loss reconciliation to pre application AASB 16

<i>For the period ending (\$ million)</i>	HY 2020 (Statutory)	AASB 16 Impact	HY 2020 (Pre AASB 16)
Revenue from sale of goods	299.7	-	299.7
Cost of sales	(218.5)	(4.5)	(223.0)
Gross Profit	81.2	(4.5)	76.7
Gross Margin	27.1%		25.6%
EBITDA	32.8	(4.5)	28.5
Depreciation & Amortisation	(19.8)	2.5	(17.3)
EBIT	13.0	(2.0)	11.0
EBIT Margin	4.4%		3.7%
Net Interest	(6.1)	3.5	(2.6)
Profit before tax	6.9	1.5	8.4
Tax Expense	(2.4)	0.7	(1.7)
NPAT	4.5	2.2	6.7

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b) Operating Segment reconciliation to pre application AASB 16

<i>HY20 Results (\$ million)</i>		HY 2020 (Operating)	AASB 16 Impact	HY 2020 (Pre AASB 16)
Dairy & Nutritionals²	Net Sales Value	162.1	-	162.1
	Trading EBITDA	24.9	(0.9)	24.0
	Margin	14.8%		14.8%
Plant Based	Net Sales Value	64.6	-	64.6
	Trading EBITDA	23.4	(2.4)	21.0
	Margin	36.2%		32.5%
Cereals & Snacks	Net Sales Value	43.4	-	43.4
	Trading EBITDA	3.2	(0.9)	2.3
	Margin	7.4%		5.3%
Specialty Seafood	Net Sales Value	7.1	-	7.1
	Trading EBITDA	0.1	-	0.1
	Margin	1.4%		1.7%
Unallocated Shared Services	Equity Associates	0.7	-	0.7
	Corporate Costs	(15.2)	(0.2)	(15.4)
Total Group²	Net Sales	277.1	-	277.1
	Operating EBITDA	37.1	(4.5)	32.6
	Margin	13.4%		11.8%

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Appendix 1

c) Balance Sheet reconciliation to pre application AASB 16

For the period ending ¹ (\$ Million)	HY 2020 (Statutory)	AASB 16 Impact	HY 2020 (Pre AASB 16)
Inventories	122.3	-	122.3
Trade and other receivables	98.7	-	98.7
Trade and other payables	(111.7)	-	(111.7)
Working Capital	109.3	-	109.3
Property, plant and equipment	602.8	(0.9)	601.9
Investments accounted for using the equity method	28.6	-	28.6
Intangibles	146.0	-	146.0
Right-of-use assets	126.6	(126.6)	-
Other non-cash assets	5.7	-	5.7
Other non-debt liabilities	(27.2)	0.7	(26.5)
Lease liabilities	(129.0)	129.0	-
Total Fixed Assets	753.3	2.2	755.7
Borrowings	195.7	-	195.7
Cash and cash equivalents	(7.2)	-	(7.2)
Net Debt	188.5	-	188.5
Total Funds Employed	862.8	2.2	865.0
Net Equity	674.3	2.2	676.5

d) Group Cash
 Flow reconciliation
 to pre application
 AASB 16

<i>For the period ending¹ (\$ Million)</i>	HY 2020 (Statutory)	AASB 16 Impact	HY 2020 (Pre AASB 16)
Cash generated from operations	24.3	(4.5)	19.8
Net cash from/(used) operating activities	15.4	1.0	14.4
Net cash used in investing activities	(78.6)	0.5	(79.1)
Net cash from financing activities	15.0	1.5	16.6
Net decrease in cash and cash equivalents	(48.2)	-	(48.2)
Cash and cash equivalents at the beginning of the financial half year	55.4	-	55.4
Cash and cash equivalents at the end of the financial half year	7.2	-	7.2

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12 Months to 30 th June 2019 (A\$ million)	2020	2019	\$ Movement	% Change
Underlying Operating EBITDA ⁽¹⁾	32.7	21.0	+11.7	+55.7%
Other costs not representing underlying performance ⁽²⁾	(3.4)	(2.7)	-0.1	
Employee Share Option Expense (non cash) ⁽³⁾	(0.8)	(1.0)	+0.2	
Statutory EBITDA ⁽⁴⁾	28.5	17.3	+11.2	+64.7%

Note:

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. 1H FY 2020 other costs not representing underlying operating performance includes one-off non-operating costs of \$1.4 million, acquisition costs of \$0.9 million, unrealised foreign exchange loss of \$0.4 million and bank facility financing fees of \$0.7 million.
3. Non cash employee share option expense of \$0.8 million in 1H FY 2020.

The logo for Freedom Foods Group Limited. The word "freedom" is in red lowercase letters, "GROUP" is in blue uppercase letters, and "FOODS LIMITED" is in blue uppercase letters below "GROUP". The tagline "Making food better" is in white lowercase letters below "freedom".

freedom GROUP
Making food better FOODS LIMITED

Building a Major Global Food & Beverage Company from Australia

MAKING FOOD BETTER
