



ASX ANNOUNCEMENT

HPP COMPLETES FURTHER CO-INVESTMENT IN LAVVA® WITH S2G VENTURES

- HPP to acquire 24% interest in US based, EVR Foods, Inc. (holding entity of the plant based clean yoghurt and milk brand, LAVVA® and its associated assets) as part of a US\$5 million staged investment.
- HPP is co-investing in LAVVA® with food innovation fund S2G Ventures and on completion of the investments will have a combined controlling stake of 60.5% in LAVVA®.
- First investment completed today and further staged investments to follow on completion of key milestones, including HPP assuming management of the LAVVA® business.
- Chairman announces intention to step down during 2021 allowing HPP to expand Board experience in the FMCG and health and plant protein sectors.

16 February 2021

Health and Plant Protein Group Limited (ASX: HPP) is pleased to advise that having completed further due diligence, following its initial investment announced on 11 January 2021, it has agreed to acquire in a staged investment up to a 24% stake in EVR Foods, Inc. (**LAVVA®**), the holding entity of the LAVVA® brand and its associated assets for a total investment of up to US\$5 million (**LAVVA® Investment**).

LAVVA® opportunity

LAVVA® (lovvelavva.com) was founded in 2014 by Liz Fisher with a view to realising the full potential of plant based foods on a deep principled basis. The business produces clean nutrient dense, plant based yoghurts, milk and coffee creamers with formulations that incorporate pili nuts, an ingredient with very similar qualities to macadamia nuts.

Executive Director, Dennis Lin, said "The investment in LAVVA® is an important milestone in our transformation to a plant protein focused enterprise. Our due diligence has confirmed that co-investing with S2G Ventures is a value-add opportunity with considerable synergistic benefit to our existing macadamia business. The investment aligns closely with our core strategy. where we can apply our marketing and supply chain capability to the category in one of the largest and most dynamic markets, the USA, and a provide a stepping stone to other major global markets, Asia in particular."

Since founding the business, LAVVA® has grown quickly and is now distributed through several major US retail networks including the 500-store Whole Foods Market, Sprouts Farmers Market, Good Eggs and Wegman's.

The LAVVA® Investment is consistent with HPP's core strategy and enables HPP to enter the high growth plant based yoghurt and milk categories and leverage an emerging brand with strong presence in the US. If the LAVVA® Investment is completed, HPP will assume management of the LAVVA® business and have the opportunity to drive growth, including through access to HPP's distribution network, the potential of incorporating macadamia ingredients into the LAVVA® formulations and introducing LAVVA® to customers in Australia and Asia.

LAVVA® Investment – details

The LAVVA® Investment comprises four staged investments by HPP which will be matched by co-investor S2G Ventures.

The first investment completed today with the HPP and S2G Ventures each acquiring an interest in LAVVA® for US\$1,500,000, comprising the conversion of US\$300,000 of convertible, promissory notes issued on 11 January 2021 and further investment of US\$1,200,000 both for the issue of Series C Preferred Stock.

Pursuant to the terms of the first investment, Mr Dennis Lin has today been appointed to the LAVVA® Board of Directors and HPP has entered into a number of agreements with LAVVA®'s shareholders which govern the operation of LAVVA® (**Investor Agreements**).

Under the Investor Agreements, the Series C Preferred Stock in LAVVA® held by HPP and other Series C investors (including S2G Ventures) confer veto rights on all shareholder voting matters and priority over other shareholders in respect of dividend payments and distributions upon winding up of the company. The Investor Agreements otherwise contain terms and conditions which are customary for entities of a comparable size, nature and type, including provisions as to Board composition and stock management.

The balance LAVVA® investments will occur at HPP's option on the completion of key milestones, as follows:

- **Stage 2** – HPP to invest US\$1.5 million upon entry into a services agreement with LAVVA® for the provision of management, marketing, financing and other infrastructure services to LAVVA® for a fee to be agreed.
- **Stage 3** – HPP to invest US\$2 million at HPP's election at a later date.

LAVVA® can also call for the Stage 2 investment if the services agreement is signed and for the Stage 3 investment if required under its budget. If called, the investment must be made by HPP within 30 days of receiving notice, otherwise HPP's option to invest will end.

Proceeds from the LAVVA® Investment and co-investment by S2G Ventures will be used to fund the immediate cash needs of the LAVVA® business and its ongoing working capital requirements as the business works to achieve commercial gross margins.

The first stage of the LAVVA® Investment was funded through HPP's existing cash reserves. HPP is currently reviewing its funding options for the balance of the LAVVA® Investment, which will involve either a combination of HPP's existing cash reserves and debt facilities or an equity-based alternative.

Board changes

HPP advises that Mr Guy Cowan, has indicated his intention to step down as HPP Chairman, allowing HPP to expand its Board experience in the FMCG and health and plant protein sectors. The announcement also follows Mr Cowan's appointments to the Boards of Port of Brisbane Pty Ltd and Stahmann Webster Group and will allow Mr Cowan's successor to focus on the existing growth opportunities at HPP.

Mr Cowan will remain HPP Chairman until the completion of an extensive search and will work with HPP to ensure an orderly transition to a new Chair.

Mr Cowan was appointed to the Board in 2017, following HPP's recapitalisation from Asia Mark Development Limited. Mr Cowan has guided HPP through a number of key milestones, including the sale of the Ginger Division, transition to Health and Plant Protein Group Limited and now the expansion into plant based yoghurt and milk products through the LAVVA® Investment.

Executive Director, Dennis Lin, said “On behalf of the Board, I would like to thank Guy for his valuable contribution, wise counsel and oversight of repositioning as a specialist in the broader health and plant-based protein food category. We wish him all good fortune in his new roles.”

The HPP Board has commenced a search to appoint a successor and expects to provide a further update to the market on this process within the next few months.

This announcement has been authorised for release to ASX by the Board.

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About HPP

HPP, through its Royal Hawaiian Orchards® (RHO) and MacFarms® brands, is the largest vertically integrated orchard to retail macadamia nut processor and marketer in the USA. Macadamia nut contains rich nutrients and beneficial plant compounds, and HPP makes its products from wholesome and unmodified ingredients. The macadamia business forms the basis of HPP’s strategic ambitions in becoming a leading independent participant in health and plant based protein food categories.

About Lavva®

Lavva® produces clean nutrient-dense plant-based yoghurts, as well as non-dairy milk and creamers (products designed to complement coffee). Since founding the business in 2014, LAVVA® has grown quickly and is now distributed through several major US retail networks including the 500-store Whole Foods Market, Sprouts Farmers Market, Good Eggs and Wegman’s.

About S2G Ventures

S2G manages over US\$900 million of funds backing visionary entrepreneurs harnessing the power of food innovation across the entire supply chain from Soil to Shelf to create better outcomes for people and the planet. Its investments include Beyond Meat, Atomo Coffee and Everytable.