



ASX ANNOUNCEMENT

1H FY21 Results Summary

25 February 2021

Health and Plant Protein Group Limited (ASX: HPP) submits the following Appendix 4D Preliminary Report for the six months to 31 December 2020 (1H FY21).

Business Performance

Business performance during 1H FY21 is a period of change as the Company completed:

- divestment of the Ginger division in September 2020;
- rebranding of the Company to better reflect the future strategic direction and interest to become a leading player in Health and Plant Protein categories;
- investment in systems and processes to better align future reporting and operations;
- \$6.2 million successful capital raise at \$0.17, comprising a \$2.2 million placement and \$4 million rights issue, including continued support from strategic shareholders; and
- material decrease in interest bearing debt of \$7.2 million, including repayment of convertible notes and a consequent increase in financial leverage.

At the same time, the COVID-19 pandemic continued to have a significant impact on the USA market. Overall, the Macadamia segment profit for the half year of \$905,000 is a decrease of 42% in the underlying profitability reflecting trading conditions and larger volumes of industrial sales.

Executive Director, Dennis Lin, said "In time, we will look back on the first six months of Financial Year 2021 as the beginning of a milestone period for the Company. Amidst the volatilities brought on by the pandemic, we have been able to complete a series of key transformational initiatives that allow the Company to set and execute a clear strategy underpinned by stronger and simpler fundamentals in becoming a leading player in Health and Plant Protein categories.

"Over the next six months, we will continue to execute our key priorities, including strategic review of the Kapua Orchard, and continued penetration into our chosen markets with portfolio brands or others"

Kapua Orchard and Kernel Production Summary

During 1H FY21, the Company processed 7,074,549 LBS (c. 3,209 MT) of Wet In Shell macadamia nuts. Favourable growing conditions contributed to an improved kernel recovery rate of over 20%.

The conditions remain favourable, and the Company is expecting to process at least a further 7,000,000 LBS (c. 3,715 MT) of Wet In Shell macadamia nuts throughout the remaining financial year.

Financial Summary

The Company recorded statutory loss of \$3,706,000 for 1H FY21. In particular:

- corporate overheads of \$1,180,000 included one off costs of \$422,000 for professional services associated with the divestment of Ginger division, and \$86,000 for IT infrastructure upgrades;
- foreign exchange losses of \$2,939,000 (the Company's core operations are predominantly in USD); and
- fair value adjustment of \$665,000 relating to the convertible notes.

The Company's net gearing has significantly reduced from 48% to 30% in 1H FY21.

On 19 February 2021, the Company has received conditional pre-approval from American AgCredit for a 25 year working capital facility of USD\$8,000,000 (AUD\$10,324,000). This facility will replace the existing Greensill facility, and is expected to deliver material savings in finance costs.

Board Changes Update

As disclosed on 16 February 2021, following Mr Cowan's indication of intending to step down as HPP Chairman, the Company engaged Lennard Partners to conduct an extensive search for a new Chair with additional experiences in the FMCG sectors with relevant market experiences. The Company expects to be in a position to provide a further update in March 2021.

Outlook

Executive Director, Dennis Lin said: "Over the last six months, the Company has shown it has the team and expertise to deliver and execute the Board and shareholders' vision and plans of becoming a leading player in health and plant protein.

"Following the investment in Lavva and further improvements of our balance sheet, the Company is primed to continue with executing this vision as the world recovers from the pandemic, and we look forward to sharing that journey with our stakeholders along the way. Whilst the remaining financial year 2021 may remain flat or subdued, we are confident we are building above category growth and we will continue to find ways to do so."

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

ENDS

Media Enquiries:

Mark Rudder
GRACosway
Ph: 0411 362 362

Investor enquiries:

Dennis Lin
Executive Director
Health and Plant Protein Group Limited
Ph: 0466 137 035

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.