

29 October 2021

ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Appendix 4C and Quarter Ended 30 September 2021 Activity Report

Freedom Foods Group Limited (**ASX: FNP**) attaches for release to the market pursuant to listing rules 4.7B and 4.7C:

- Appendix 4C
- Quarter Ended 30 September 2021 Activity Report

Investor inquiries:

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This announcement was authorised for release by the Board of Directors.

About Freedom Foods Group Ltd

Freedom Foods Group (**ASX: FNP**) is a leading Australian FMCG company with a mission to create quality, on-trend, responsibly produced dairy and plant-based beverages, nutritional products and ingredients used across the health and fitness industries. The Group operates state-of-the-art manufacturing facilities in Victoria and NSW and produces key brands include the MILKLAB range of shelf stable dairy and plant-based milks, Australia's Own, So Natural, Crankt, Vital Strength and PUREnFERRIN lactoferrin. <https://ffgl.com.au/>



MAKING FOOD BETTER

Freedom Foods Group Limited (ASX: FNP) Quarter ended 30 September 2021 Quarterly Activities and 4C Report:

Freedom Foods Group Limited (**ASX: FNP**) ('Freedom Foods Group' or the 'Company'), a leading producer of long-life dairy and plant-based beverages and nutritional products, today releases its Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 September 2021 (unaudited) and is pleased to provide the following update on the Company's financial and operating performance.

Q1 FY22 Highlights:

- Re-emergence of COVID-19 outbreaks, associated government lockdowns across all key geographies and continued shipping delays were reflected in a softer quarter-on-quarter (QoQ) performance (Q1 FY22 v Q4 FY21). A regional outbreak in Shepparton, Victoria, created staffing shortages that resulted in production constraints for two weeks of the quarter.
- Total revenue of \$128.9m, down \$7.5m or 5.5% QoQ
- Dairy and Nutritionals revenue of \$85.9m, down \$7.7m or 8.2% QoQ
- Plant-based Beverages revenue of \$39.4m, down \$0.3m or 0.6% QoQ
- Specialty Seafoods revenue of \$3.6m, up \$1.1m or 46.4% QoQ
- The effects of COVID-19 lockdowns and related supply chain delays have affected Q1 FY22 cash receipts from customers and will have some impact on Q2, with the Company's turnaround expected to deliver positive net operating cashflow in H2 FY22
- At 30 September 2021, the Company's cash position was \$9.8m, in line with forecast. Cash at bank and undrawn facilities of \$45.8m provide sufficient liquidity for day-to-day business operations

Business performance

Dairy and Nutritionals

A leading producer of long-life dairy milk, nutritional products and performance powders

Overall dairy sales were in line with Q4 FY2021 despite the impact of COVID-19, including a regional outbreak that temporarily affected the Company's Shepparton operations. Strong international sales in China and across South East Asia, including a range of new customers, mitigated a decline in both domestic dairy sales, reflecting the strategic removal of unprofitable products from the portfolio, and traded surplus milk sales as a result of improved milk-buying performance.

Consumer Nutritionals revenue grew QoQ, supported by continued growth in e-commerce sales. Nutritional Ingredients revenue was lower than Q4 FY2021, with this temporary QoQ decline caused by the timing of customer orders.

The Company continues to execute its operational turnaround strategy, which is focused on reducing wastage, improving production efficiencies, rationalising unprofitable product lines, optimising milk supply and reducing losses from the sale of surplus milk.

Plant-based Beverages

A leading producer of long-life products including soy, rice, oat and almond milk and liquid stocks

The Plant-based beverage category continues to grow across as more products and formats becomes available for health-conscious consumers. Australia's Own plant-based milks delivered growth QoQ following the launch of oat products into the Australian retail market.

Sales in the out-of-home channels declined on a QoQ basis as a result of COVID-related restrictions across Australia and New Zealand and several South East Asian markets. The Company is expecting a return to growth in this channel as restrictions ease and consumer demand for healthy beverage options returns. The new MILKLAB Oat product, which was launched in June, continued to expand its distribution points in Australia and was successfully launched in Singapore and China.

Specialty Seafoods

A leading producer of a range of canned seafood, including sardines and salmon

Specialty Seafoods sales grew strongly QoQ reflecting increases in in-home consumption in eastern Australia during COVID-19 lockdowns, particularly for Paramount salmon.

Freedom Foods Group and its advisers continue to progress a dual-track review for Specialty Seafood – 'retain and improve' or divest.

Appendix 4C cashflow report – released with this activity report

- Q1 operating cashflow of -\$16.2m includes restructuring costs of \$4.7m, prepaid marketing costs of \$1.3m and prepaid insurance premiums of \$3m.
- Excluding these restructuring costs and prepayments, Q1 operating cash flow was approximately -\$7.2m.
- Capital expenditure investment of \$1.3m was recorded during the quarter.
- At Q1 close, the Group had \$404.4m of available finance facilities, of which \$368.4m was drawn.
- The company elected to pay interest in kind amounting to \$5.7m on Convertible Notes for the period 30 June 2021 to 30 September 2021.

Related Party payments – Current Quarter (July 2021 to September 2021)

Payment to	Nature of Payment	Amount (A\$)
Independent Directors	Director fees	137,500
Non-Independent Directors	Director fees	81,250
Michael Perich – CEO	Employment costs	187,968
Fresh Dairy Four Pty Ltd	Milk purchases	4,332,432
Perich Property Holdings P/L	Rent and outgoings	1,159,879
Perich Property Unit Trust	Rent and outgoings	2,114,560
Leppington Pastoral Co P/L	Directors' indemnity recharges	216,198
Arrovest Pty Ltd	Convertible Note Legal Fees	253,000
	Q1 FY22 Total	8,482,789

Note to Market

None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis.

This Company presentation may include certain statements, estimates or projections with respect to the anticipated future performance of the Company, the projects or both. Those statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties, many of which are outside the control of the Company. Those assumptions may, or may not, prove correct. No representation is made as to the accuracy of those statements, estimates or projections.

- END -

Investor contact:

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The release of this announcement was authorised by the Board of Directors.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Freedom Foods Group Limited

ABN

41 002 814 235

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	127,209	127,209
1.2 Payments for		
(a) research and development	(78)	(78)
(b) product manufacturing and operating costs	(120,402)	(120,402)
(c) advertising and marketing	(3,920)	(3,920)
(d) leased assets	(2,515)	(2,515)
(e) staff costs	(6,544)	(6,544)
(f) administration and corporate costs	(3,686)	(3,686)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(1,623)	(1,623)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other (restructuring costs)	(4,658)	(4,658)
1.9 Net cash from / (used in) operating activities	(16,217)	(16,217)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(1,332)	(1,332)
(d) investments	0	0
(e) intellectual property	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(1,332)	(1,332)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	(4,111)	(4,111)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (lease payments)	(249)	(249)
3.10	Net cash from / (used in) financing activities	(4,359)	(4,359)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	31,668	31,668
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(16,217)	(16,217)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,332)	(1,332)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,359)	(4,359)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	9,760	9,760

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9,760	31,668
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,760	31,668

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	8,483
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																																																																											
7.1	Loan facilities	404,416	368,416																																																																											
7.2	Credit standby arrangements	0	0																																																																											
7.3	Other (please specify)	0	0																																																																											
7.4	Total financing facilities	404,416	368,416																																																																											
7.5	Unused financing facilities available at quarter end		36,000																																																																											
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																																																																													
<table border="1"> <thead> <tr> <th>7.6 Loan Facilities</th> <th>000's</th> <th>Average Interest Rate</th> <th>Latest Maturity Date</th> <th>Secured/Unsecured</th> </tr> </thead> <tbody> <tr> <td colspan="5">Recourse Debtor Finance Facilities</td> </tr> <tr> <td>HSBC</td> <td>12,682</td> <td>3.56%</td> <td>rolling 6 months</td> <td>Secured</td> </tr> <tr> <td colspan="5">Convertible Notes</td> </tr> <tr> <td>Various¹</td> <td>272,821</td> <td>8.50%</td> <td>27-May-27</td> <td>Secured</td> </tr> <tr> <td colspan="5">Finance Leases</td> </tr> <tr> <td>NAB</td> <td>61,667</td> <td>4.66%</td> <td>Jun-25</td> <td>Secured</td> </tr> <tr> <td>Tetra Laval</td> <td>11,690</td> <td>4.50%</td> <td>Jan-27</td> <td>Secured</td> </tr> <tr> <td>Energy Ease</td> <td>5,363</td> <td>6.52%</td> <td>Mar-27</td> <td>Secured</td> </tr> <tr> <td>Dankse Bank</td> <td>812</td> <td>4.18%</td> <td>Feb-24</td> <td>Secured</td> </tr> <tr> <td>DLL 1</td> <td>22</td> <td>6.05%</td> <td>Feb-22</td> <td>Secured</td> </tr> <tr> <td>Bank of Queensland</td> <td>259</td> <td>4.09%</td> <td>Oct-26</td> <td>Secured</td> </tr> <tr> <td>ChemClean</td> <td>2,325</td> <td>5.37%</td> <td>Jul-25</td> <td>Secured</td> </tr> <tr> <td>Toyota</td> <td>775</td> <td>3.25%</td> <td>Jun-25</td> <td>Secured</td> </tr> <tr> <td colspan="2" style="text-align: center;">368,416</td> <td colspan="3"></td> </tr> </tbody> </table> <p>¹The carrying amount of the convertible notes recorded in 30 June 2021 statutory accounts in accordance with the accounting standards is \$251m. The above-mentioned loan facilities amount contain principal and capitalised interest (Paid in Kind) of the convertible notes at 30 September 2021 of \$7.8m.</p> <p>The Group's primary bank facilities are with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include an undrawn \$36m syndicated facility, equipment financing facilities (NAB) and debtor financing facilities (HSBC). The Group also has other bi-lateral equipment finance facilities from a number of financiers and other general transactional banking facilities.</p>				7.6 Loan Facilities	000's	Average Interest Rate	Latest Maturity Date	Secured/Unsecured	Recourse Debtor Finance Facilities					HSBC	12,682	3.56%	rolling 6 months	Secured	Convertible Notes					Various ¹	272,821	8.50%	27-May-27	Secured	Finance Leases					NAB	61,667	4.66%	Jun-25	Secured	Tetra Laval	11,690	4.50%	Jan-27	Secured	Energy Ease	5,363	6.52%	Mar-27	Secured	Dankse Bank	812	4.18%	Feb-24	Secured	DLL 1	22	6.05%	Feb-22	Secured	Bank of Queensland	259	4.09%	Oct-26	Secured	ChemClean	2,325	5.37%	Jul-25	Secured	Toyota	775	3.25%	Jun-25	Secured	368,416				
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(16,217)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,760
8.3	Unused finance facilities available at quarter end (item 7.5)	36,000
8.4	Total available funding (item 8.2 + item 8.3)	45,760

8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.8
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: 

The Board of Directors