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29 August 2022

ASX Market Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## Noumi manages pandemic and cost pressures through FY22, plant-based beverages continue revenue, earnings growth

Noumi Limited (**ASX: NOU, the Company**), a leading Australian producer of dairy and plant-based beverages, nutritional products and ingredients, presents its financial results for the 12 months to 30 June 2022 (**FY22**) and provides the following financial and operational update.

Results	FY22	FY21 <sup>1</sup>	Change (%)
Net Revenue <sup>2</sup>	\$522.3m	\$547.3m	(5)
Adjusted Operating EBITDA <sup>3</sup>	\$7.3m	\$22.5m	(68)
Adjusted Operating EBITDA margin	1.4%	4.1%	(66)
Net loss ex-US litigation settlement costs and non-cash impairments	(\$9.8m)	(\$30.7m)	68
Net loss after tax	(\$161.1m)	(\$38.6m)	n.m.
Cash at bank	\$16.2m	\$31.7m	(49)

### Key points

- Revenue down 4.6% to \$522.3m, largely due to lower traded dairy milk sales, the removal of unprofitable dairy product lines and the impact of a challenging macro-operating environment. Excluding traded dairy milk, Net Revenue rose 0.4%
- Adjusted Operating EBITDA down 68% to \$7.3m, largely due to the impact of the challenging macro-operating environment on sales volumes, input cost inflation and productivity
- Another consecutive record performance from Plant-based Beverages despite the challenging operating environment, with revenue up 7.2% to \$164m and Adjusted Operating EBITDA up 30% to \$33.4m on solid margin growth for MILKLAB and Australia's Own
- Operational turnaround and performance at Dairy and Nutritionals affected by local and international lockdowns, supply chain disruption and input cost inflation. These were partially offset by rigorous cost control, improving productivity gains and price increases where possible

<sup>1</sup> All FY21 figures restated for reclassification of Specialty Seafood business to discontinued operations

<sup>2</sup> Continuing operations, excludes Cereal & Snacks divested in March 2021 and Specialty Seafood divested in November 2021

<sup>3</sup> Continuing operations, adjusted operating EBITDA excludes discontinued operations, restructuring costs, US litigation settlement and associated costs, onerous contracts provision and other non-trading items, pre-AASB 16



- Exports rose 20% and now represent 30% of revenue, up from 24% in FY21, with a focus on growing MILKLAB sales to Southeast Asia
- One-off non-cash asset impairments of \$95.7m reflect changing industry conditions in the Dairy and Nutritionals sector and financial markets in recent months
- One-off expenses related to the US litigation settlement of A\$55.6 million reported at the half year
- Cash at bank of \$16.2m, undrawn facilities of \$19.0m and the net proceeds from the sale of the Company's AFMH shareholding provide sufficient liquidity for day-to-day business operations based on current market conditions and expectations

**Noumi Chief Executive Officer Michael Perich said:**

"Noumi has been managing significant external challenges through FY22, in particular the ongoing and unpredictable impacts of the COVID-19 pandemic and geopolitical uncertainty. These impacts have included rising transport and energy costs, workforce availability issues and domestic and global supply chain disruptions. More recently, all Australian milk processors have experienced unprecedented increases in raw milk prices.

"Throughout these challenges, management has remained resolutely focused on tight cost control, continued attention to productivity and margins and driving the growth of our key brands, particularly our flagship MILKLAB range.

"We're very pleased to have been able deliver another record sales and earnings performance for Plant-based Beverages, with revenue up 7.2 per cent and Adjusted Operating EBITDA up 30.3 per cent in FY22 on improving margins. This category now represents almost one third of group sales, up from 26 per cent three years ago. MILKLAB continued its stellar run, with sales up 26.4 per cent, and Australia's Own plant-based again delivering double-digit sales growth. MILKLAB's strong sales trajectory in both domestic markets and export markets is being driven by focused marketing campaigns and a strengthened sales team.

"As pleased as we are with MILKLAB, we are very disappointed with the financial performance of Dairy and Nutritionals, with macro-economic challenges and the pandemic impacting key operational turnaround initiatives. However, with COVID-19 and some costs pressures stabilising, we are confident our transformation will continue its momentum and deliver improved results through FY23. This will be assisted by renegotiated domestic customer pricing that becomes effective during Q1 FY23, allowing us to pass through higher raw milk prices in the domestic market.

"We are negotiating with export customers to pass through higher raw milk price however the dislocation in milk price between Australian and the global markets means that it is unlikely we will be able to fully recover the price increases in FY23. This, together with the impact of other increases in input costs and capital cost assumptions, means we considered it appropriate to take a further impairment in the carrying value of Dairy and Nutritionals.

**FY22 performance**

Net revenue from continuing operations fell 4.6 per cent to \$522.3 million. Excluding traded dairy milk sales, group revenue rose 0.4 per cent in FY22.

While Plant-based Beverages revenue again grew strongly, overall revenue reflected a \$26.9 million reduction in traded dairy milk sales as part of a deliberate strategy to reduce contracting of surplus milk and loss making product lines, as foreshadowed in the H1 FY22 results.

The result includes solid growth in the out-of-home channel and exports to Asia, particularly for Plant-based Beverages, reflecting increased investment in the out-of-home sales force and marketing campaign to drive long-term growth of key brands like MILKLAB. Overall export sales rose 20 per cent and now represent 30 per cent of total revenue, up from 24 per cent in FY21.



Adjusted Operating EBITDA was down 68 per cent to \$7.3 million due to the COVID-19 impacts and the early impacts of geopolitical uncertainty and other factors driving up key input prices.

Statutory net loss after tax from continuing operations of \$161.1 million was again impacted by the resolution of legacy issues, this year by the US litigation settlement expense of \$55.6 million as well as one-off non-cash asset impairments of \$95.7 million. Net loss after tax excluding the US litigation settlement provision and impairments was \$9.8 million.

At 30 June 2022, cash on hand of \$16.2 million, undrawn facilities of \$19.0 million and the net proceeds from the sale of the Company's entire shareholding in Australian Fresh Milk Holdings (AFMH) provide the Company with funding to pursue day-to-day operations based on current market conditions and expectations.

Noumi has achieved a number of strategic milestones, including:

- The settlement of legacy US litigation in February 2022, removing any restrictions on sales of MILKLAB and other nut-based beverages in Australia or overseas;
- The divestment of the Specialty Seafood business in November 2021, completing the structural reset and simplification of the business to focus on its two growth pillars; and
- Subsequent to the end of the FY22 reporting period, the Company sold its entire 9.4 per cent stake in Australian Fresh Milk Holdings Pty Ltd to raise approximately \$29.7 million. The majority of proceeds from the sale will be used to fund payment obligations under the US litigation settlement.

## Plant-based Beverages

*A leading producer of long-life, plant-based products including soy, almond, rice, oat, macadamia and hazelnut milk and liquid stocks*

Underlying results	Net Revenue			Adjusted Operating EBITDA		
	FY22	FY21 <sup>4</sup>	Change (%)	FY22	FY21	Change (%)
Plant-based Beverages	\$164.0m	\$152.9m	7.2%	\$33.4m	\$25.7m	30.3%

The Plant-based Beverages business delivered another year of record revenue and earnings, despite the impact of COVID-19 on key domestic and export markets. The strong growth reflects both the ongoing consumer demand for healthier lifestyle choices and Noumi's strategic investments in its market-leading brands and its out-of-home direct sales force, which has reduced the Company's reliance on third-party distributors to promote our core brand MILKLAB.

Importantly, the resolution of US litigation in February 2022 has removed all restrictions on sales of MILKLAB and nut-based milk in Australia and overseas.

Net Revenue for FY22 rose 7 per cent to \$164.0 million driven by growth in the out-of-home channel and Asian export markets. Adjusted Operating EBITDA increased 30.3 per cent to \$33.4 million, with Adjusted Operating EBITDA margins rising to 20 per cent from 17 per cent in FY21.

<sup>4</sup> All FY21 figures restated for reclassification of Specialty Seafood business to discontinued operations



Plant-based Beverages sales have grown 24% since FY20 as more products and formats become available for health-conscious consumers. The new MILKLAB Oat and Australia's Own Oat milk products, which were launched in mid-2021, continue to gain market share within the plant-based beverage category. The Company continues to expand distribution points in Australia and Asia.

Plant-based beverages sales in the out-of-home channel rose 17 per cent, while exports to Asia jumped 38 per cent, more than offsetting a 5 per cent decline in the Australia and New Zealand retail sales channel. MILKLAB continued its strong momentum, with sales of its plant-based range up 25 per cent in FY22, with Australia's Own plant-based sales up 16 per cent.

## Dairy and Nutritionals

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

Underlying results	Net Revenue			Adjusted Operating EBITDA		
	FY22	FY21 <sup>5</sup>	Change (%)	FY22	FY21	Change (%)
Dairy and Nutritionals	\$358.3m	\$394.3m	(9.1%)	(\$20.6m)	(\$4.1m)	n.m.

Net Revenue for the 12 months to 30 June 2022 declined 9.1 per cent to \$358.3 million. In addition to the COVID-19 effects, revenue was affected by the deliberate strategy to reduce traded dairy milk sales and the removal of unprofitable product lines including the 2L format. Excluding traded milk sales, second half Dairy and Nutritionals revenue rose 1.5 per cent year on year.

Sales in the Australian and New Zealand retail channel were down 15.2 per cent compared to FY21 partly offset by 19.5 per cent growth in the out-of-home channel and 20.3 per cent growth in exports. MILKLAB dairy continued its strong sales momentum, with sales up 33.5 per cent in the period.

The business delivered an Adjusted Operating EBITDA loss of \$20.6 million, a deterioration from a loss of \$4.1 million in FY21, largely as a result of pandemic-related productivity issues, input cost inflation and interruption to Lactoferrin production due to supply chain constraints. In response, Noumi has remained focused on rigorous cost control and driving productivity improvements, which have helped the Company manage the difficult operating environment and began to deliver benefits in the last quarter.

Dairy market conditions changed dramatically in the second half of FY22, with all processors facing unprecedented increases in farmgate raw milk prices of 26 per cent year on year on top of global and domestic supply chain cost pressures. Noumi continues to work cooperatively with its farmers on supply contracts and, in common with other processors, has undertaken negotiation or renegotiation of customer contracts to recover input cost inflation and, in some circumstances, address historical under-pricing.

Negotiations with customers have been positive in the domestic market, with price rises achieved across the Noumi domestic portfolio. The majority of these take effect throughout Q1. While discussions with export customers have been productive, the same level of cost pressures on milk prices is not being felt in overseas markets. Noumi is confident that export market price increases will at least offset cost inflation, however they may not be sufficient to provide any material contribution to operating margin.

<sup>5</sup> All FY21 figures restated for reclassification of Specialty Seafood business to discontinued operations



The recent spike in farmgate raw milk prices, driven by domestic competition for milk, has reduced Australia's competitiveness as a dairy exporter. Without a reduction in the value of the Australian dollar, Noumi expects margins on export sales to remain lower than domestic margins in the medium term, especially for commodity dairy products. This represents a significant structural change in the market compared to historical conditions. While Noumi and industry observers ultimately expect these conditions to moderate, the Company has determined that it is prudent to take account of this development as part of a non-cash impairment writedown of \$95.7 million against the Group's asset base.

Sales of PUREnFERRIN lactoferrin products were lower, largely due to a temporary and since resolved pandemic-related interruption to production in the first half, with second half sales comparable to the previous corresponding period.

Our Consumer Nutritionals business are well placed to benefit from the long-term trend towards healthier lifestyles, notwithstanding the periodic impacts of lockdowns on gyms and fitness channels. Consumer Nutritionals was also affected by a spike in the price of key ingredients in the period, which has been reflected in the Dairy and Nutritionals impairments. Among our flagship brands, UProtein powder sales rose 13.1 per cent in FY22 and Crankt sales were up 2.6 per cent, with the portfolio benefiting from product innovation and focused marketing campaigns.

COVID-19 created issues with workforce availability that adversely affected productivity and costs, particularly at the Company's Shepparton operations in Victoria in the first half of FY22. The Company prioritised management of these issues, resulting in delays to the implementation of some operational improvement initiatives. The transformation and operational turnaround strategy in Dairy and Nutritionals is focused on a number of areas, including reducing wastage, implementing production efficiencies, removing or reducing unprofitable products, optimising milk supply and curtailing losses from the sale of surplus milk as experienced in previous periods.

### **Current trading and outlook**

Noumi expects its underlying financial performance to improve through FY23 as the impact of COVID eases, the results of the operational turnaround program gather momentum and deliver positive improvements and the Company recovers higher raw milk prices through renegotiated customer contracts. Noumi expects ongoing strong growth from its Plant-based Beverages business, which will continue to benefit from sector demand in Australia and targeted overseas markets and product development opportunities as consumers continue to move toward healthier lifestyle choices.

The Company will continue its practice of not providing financial guidance in the current market as continuing volatility, dairy industry dynamics and the challenging macro environment make it extremely difficult to provide forecasts.

### **Investor Conference Call Details**

Chief Executive Officer Michael Perich and Chief Financial Officer Peter Myers will host a teleconference and webcast on 29 August at 10:00am (AEST), with a Q&A session to follow the presentation.



To access the teleconference and/or webcast, please use the links below:

**Conference Call Registration and dial-in details:**

<https://registrations.events/direct/ID60123>

**Webcast Link:**

<http://www.openbriefing.com/OB/4860.aspx>

**Investor inquiries:**

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*This announcement was authorised for release by the Chair*

**About Noumi Limited**

**Noumi (ASX: NOU)** 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 Company operates manufacturing facilities in Victoria and NSW and produces key brands including the MILKLAB range of shelf-stable dairy and plant-based milks, Australia's Own, So Natural, Crankt, Vital Strength and PUREnFERRIN lactoferrin. <https://noumi.com.au/>