

## ASX ANNOUNCEMENT

### HPP Group accepts higher offer from Hawaiian Host Group for Macadamia Business

- HPP has entered into a Share Sale and Purchase Agreement with Hawaiian Host Group for the sale of its macadamia nut business for an enterprise value of US\$26 million (A\$37.1 million)<sup>1</sup>
- The HPP Board considers the transaction to be superior to the MNP Holdings LLC transaction announced on 30 January 2023 and in the best interests of shareholders
- Completion of the Hawaiian Host transaction is conditional on termination of the MNP transaction and shareholder approval of the Hawaiian Host transaction under ASX Listing Rule 11.2, which will be sought at an extraordinary general meeting expected to be held in April 2023
- Completion of the Hawaiian Host transaction is targeted also for April 2023
- Following completion of the Hawaiian Host transaction and, subject to receipt of US tax clearance (which in the ordinary course is expected Q2 CY2023), HPP expects to have available for distribution to shareholders approximately A\$6.5 million to A\$9.2 million (equivalent to c A\$0.053 and A\$0.075 per share)
- The timing and manner of the distribution to shareholders is under consideration by the HPP Board and will be notified to shareholders in the notice of meeting to be despatched in March 2023.

**Brisbane, 23 February 2023:** Health and Plant Protein Group Limited (**HPP**) today announces that it has entered into a Share Sale and Purchase Agreement for the sale of its wholly owned subsidiary, HPP America Inc, the United States of America (**US**) based holding company of MacFarms, LLC, owner of HPP's Kapua Orchard and macadamia nut business, to Hawaiian Host, LLC (**Hawaiian Host Group**), a Hawaiian based manufacturer and marketer of branded macadamia nut products (**Hawaiian Host Transaction**).

#### Background

On 30 January 2023, HPP announced that it had entered into an agreement with MNP Holdings, LLC (**MNP Holdings**), to sell HPP America Inc and MacFarms LLC, for US\$23 million (cA\$32.9 million) cash (**MNP Transaction**). The price was on a cash free debt free basis with a normalised level of working capital.

The MNP Transaction followed a strategic review of HPP's US assets and a competitive sale process under which HPP held discussions with interested parties (including Hawaiian Host Group) in relation to the future ownership of the Kapua Orchard and macadamia nut business.

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<sup>1</sup> All AUD equivalent figures in this announcement are based on an exchange rate of A\$0.70 to US\$1.00, except for the estimated distribution to shareholders (subject to US tax clearance), which is based on exchange rate of A\$0.65 - A\$0.70 to US\$1.00.

Following the announcement, Hawaiian Host Group offered to purchase HPP America Inc and MacFarms LLC for a higher purchase price of US\$26 million (cA\$37.1 million) on a cash free debt free basis with a normalised level of working capital.

The HPP Board has unanimously decided that the offer received from Hawaiian Host Group is superior to the MNP Transaction and represents the best available option for HPP to meet its near-term obligations and maximise shareholder value.

HPP intends to seek agreement with MNP Holdings for an early termination of its contract. In the absence of such an agreement, HPP can terminate the MNP Transaction if it is not approved by HPP shareholders on or before 10 April 2023 (Hawaii time) (which can be extended to 24 April 2023 (Hawaii time) if there is a reasonable basis to believe that HPP shareholder approval and other closing conditions precedent under the MNP Transaction will be obtained by that date) (**MNP Sunset Date**).

Liquidated damages of US\$500,000 (cA\$715,000) is payable to MNP Holdings if HPP shareholder approval is not obtained by the MNP Sunset Date (**MNP LD Amount**).

### Overview of the Hawaiian Host Transaction

HPP and group company, HPP Group (Overseas) Holdings Pty Ltd, have entered into a Share Sale and Purchase Agreement (**Hawaiian Host SPA**) for the sale of its wholly owned subsidiary, HPP America Inc to Hawaiian Host Group for cash consideration of US\$26 million (cA\$37.1 million), subject to adjustments for net working capital and debt as at the completion date.

The agreed purchase price is on an enterprise value basis and is inclusive of HPP's US \$10 million (cA\$14.3 million) loan facility with American AgCredit.

HPP America Inc is the holding company of MacFarms, LLC, which owns HPP's macadamia nut business assets, including:

- the Kapua Macadamia Orchard and on-site processing facility in Hawaii (**Kapua Orchard**) – including all land, buildings, inventory, plant and equipment, equipment leases, statutory licences and related operating assets; and
- the brands (including Royal Hawaiian Orchards® and MacFarms®), business contracts, goodwill and intellectual property used in the macadamia nut business.

The transaction will see Hawaiian Host Group take on all US based employees of HPP, along with all assets and liabilities of HPP's US business both in California and Hawaii.

Completion of the Hawaiian Host Transaction is subject to satisfaction of various customary conditions precedent, including the termination of the MNP Transaction, HPP shareholder approval under ASX Listing Rule 11.2 for the disposal of its main undertaking, and other customary conditions precedent.

Annexure A sets out further information on the key terms of the Hawaiian Host SPA and the Hawaiian Host Transaction. Additional details regarding the Hawaiian Host Transaction, including information on HPP's financial position before and after completion of the transaction, will be provided to shareholders in the Notice of Meeting to be sent to shareholders.

## Use of funds

The funds received from the sale of HPP America Inc. will be applied to meet any US withholding tax obligations (see below), repayment of the American AgCredit facility (cUS\$10 million, cA\$14.3 million) and HPP's existing convertible note debt obligations of A\$10 million (plus accrued interest), transaction costs (including the MNP LD Amount) and Australian based employee entitlements and costs.

At completion, approximately US\$3.9 million (cA\$5.6 million) will be withheld from the purchase price and held in escrow by the independent escrow holder, pending review by the US Internal Revenue Service (**IRS**) and confirmation of the US withholding tax payable under the US Foreign Investment in Real Property Tax Act of 1980 (**FIRPTA**), which is not expected to be material. HPP expects to lodge its FIRPTA application with the IRS in March 2023 and for the IRS to complete its review after completion, during Q2 CY 2023.

Following completion of the transaction and receipt of US tax clearance, HPP expects to have available for distribution to shareholders approximately A\$6.5 million to A\$9.2 million (equivalent to c A\$0.053 and A\$0.075 per share). The timing and manner of the distribution to shareholders is under consideration by the HPP Board and will be notified to shareholders in the notice of meeting to be despatched to shareholders in March 2023.

## Comments from HPP Executive Chairman

Executive Chairman of HPP, Mr Albert Tse said: "HPP has made the strategic review of the Kapua Orchard and MacFarms business a top priority since I became Chairman in mid-July 2022. As previously stated at the AGM on 11 November 2022, HPP received a limited number of non-binding proposals (which included one from the Hawaiian Host Group). While the offer announced to the market on 30 January 2023 by MNP Holdings LLC was well received, the new binding offer from Hawaiian Host Group represents a higher-return to shareholders."

## Rationale for Hawaiian Host Transaction

The rationale for the sale of HPP's Kapua Orchard and macadamia nut business are set out in the ASX announcement dated 30 January 2023.

The current macroeconomic conditions in the US continue to be a challenging environment for premium snack nuts (including macadamia nut products) and the commercial risks associated with HPP's Kapua Orchard and macadamia nut business remain unchanged, including the tightening labour market in Hawaii, increased costs of production, falling global macadamia commodity prices and adverse environmental factors.

The Hawaiian Host Transaction provides additional cash consideration compared to the MNP Transaction, which will increase the net proceeds available for distribution to shareholders.

The HPP Board believes that the Hawaiian Host Transaction is the best available option for HPP to meet its near-term obligations and maximise shareholder value, and that it strikes the right balance between the interests of shareholders and stakeholders including HPP's employees.

## Consequences for HPP following the Hawaiian Host Transaction

Following completion of the Hawaiian Host Transaction and distribution to shareholders, HPP will be a listed vehicle without any debts or liabilities, which is well positioned to identify potential opportunities to create further shareholder value, including by way of acquisitions, equity investments or strategic combination opportunities.

HPP has agreed to pay each of its Australian based staff members a retention payment (including the Executive Chairman) in relation to the sale of the Kapua Orchard and macadamia nut business. The details of these payments are set out in the ASX announcement dated 30 January 2023.

### Next Steps

HPP is preparing a notice of meeting to be distributed to all shareholders which will include further information about the Hawaiian Host Transaction.

An extraordinary general meeting is anticipated to be held in April 2023, at which shareholders will vote on the Hawaiian Host Transaction. Subject to shareholder approval, completion of the transaction is also targeted for April 2023.

The Board would like to thank all HPP staff both in Australia and US for their continued support and will provide further updates to all shareholders in the coming weeks.

HPP is being advised by Thomson Geer in Australia and Lung Rose Voss & Wagnild in the US.

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

**ENDS**

### Investor enquires:

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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.

## Annexure A – Summary of Hawaiian Host SPA

The key terms of the Hawaiian Host SPA are as follows:

- **Seller parties** – HPP Group (Overseas) Holdings Pty Ltd (as Seller) and HPP (together **HPP** in this Annexure A).
- **Buyer** – Hawaiian Host, LLC.
- **Securities being acquired** – all the shares in HPP America Inc, the US based holding company of MacFarms, LLC, which owns HPP's macadamia nut business assets.
- **Consideration** – Hawaiian Host Group has agreed to pay US\$26 million (cA\$37.1 million) for the shares on a cash free debt free basis with a normalised level of working capital, subject to adjustments for net working capital and debt as at the completion date.
- **MNP Fee and Deposit** – Hawaiian Host Group has agreed to pay:
  - a US\$500,000 (cA\$715,000) fee (**MNP Fee**) directly to HPP, which can only be applied for the purpose of paying the MNP LD Amount under the MNP SPA and costs or expenses in connection with the termination of the MNP Transaction; and
  - a US\$4.7 million (cA\$6.7 million) deposit (**Deposit**) to an escrow account held by an independent escrow holder to secure Hawaiian Host Group's obligations.

The MNP Fee and Deposit will both be applied towards payment of the purchase price at completion of the Hawaiian Host Transaction. The MNP Fee and Deposit are refundable if the closing conditions precedent are not satisfied or waived, or there is non-compliance by HPP with a material provision of the Hawaiian Host SPA which is either unremedied or not capable of remedy.

- **Conditions precedent** – the Hawaiian Host Transaction is conditional on, amongst other things, the following (which if not satisfied or waived, the Hawaiian Host Transaction will not proceed):
  - (**HPP shareholder approval**) shareholders approving the Hawaiian Host Transaction for the purposes of ASX Listing Rule 11.2 for the disposal of its main undertaking;
  - (**termination of MNP Transaction**) termination of the MNP Transaction;
  - (**no breach of warranty having a material adverse effect**) there is no breach of seller warranty which, other than in respect of warranties as to title, seller's authority and ability to enter into and complete the Hawaiian Host Transaction (including in respect of regulatory approvals and any litigation or disputes) and transaction costs, has a material adverse effect;<sup>2</sup> and
  - (**other**) release of security interests, certain change of control consents, no regulatory or legal intervention and compliance by HPP with its obligations under the Hawaiian Host SPA prior to completion.

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<sup>2</sup> This is a breach which has or is reasonably expected to have the effect (disregarding any non-cash adjustments required under HPP's accounting policies) of (i) diminishing the net assets of HPP America Inc and MacFarms, LLC (**Company Parties**) determined in accordance with HPP's accounting policies by US\$1 million or more as compared to what the net assets of the Company Parties could reasonably be expected to have been but for the breach or (ii) diminishing the earnings before interest, tax, depreciation and amortization of the Company Parties as determined in accordance with HPP's accounting policies, by US\$0.5 million or more in calendar year 2023 compared to what the earnings could reasonably be expected to have been but for the breach.

- **Conduct of business prior to Completion** – HPP’s Kapua Orchard and macadamia nut business is to be operated in the ordinary course pending completion subject to customary restrictions.
- **Completion date** – 5 business days after satisfaction of both the HPP shareholder approval condition precedent and the MNP Transaction termination condition precedent.
- **Warranties, representations and indemnities** – HPP provides customary representations and warranties regarding its business and affairs and an indemnification for any liabilities arising out of any misrepresentation or breach of any representation and warranty, subject to customary liability qualifications, acknowledgements and limitations.
- **Non-compete** – HPP to provide customary non-compete and non-solicit obligations to Hawaiian Host Group for a transaction of this nature for a period of up to three years from completion.
- **Notification and matching rights** – HPP has agreed to notify Hawaiian Host Group of any actual, proposed or potential Competing Transactions and give Hawaiian Host Group a three business day period to provide a matching or superior proposal before entering into any agreement to implement such a Competing Transaction or the HPP Board changes their recommendation of the Hawaiian Host Transaction.<sup>3</sup>
- **Termination and HH liquidated damages** – HPP has agreed that if either of the following events occur, the Hawaiian Host SPA will be terminated and HPP will pay Hawaiian Host Group liquidated damages of US\$2.6 million (cA\$3.71 million) (**HH LD Amount**):
  - HPP fails or refuses to complete in default of its obligations for which any applicable cure period has expired plus an additional ten days for HPP to cure; or
  - HPP shareholder approval is not obtained within 10 weeks of the date of the Hawaiian Host SPA (which can be extended for a further 2 weeks if there is a reasonable basis to believe that HPP shareholder approval will be obtained by that date) (**HH Sunset Date**), and one of the following conditions is also satisfied:
    - a Competing Transaction has been announced or made known to either of the two largest shareholders of HPP or their nominees on the HPP Board before the meeting is held to consider the approval; or
    - at any time on or before 9 months after the date of the Hawaiian Host SPA, HPP enters into a legally binding agreement, arrangement or understanding relating to a Competing Transaction or there is a Competing Transaction recommended by the directors of HPP.
- **Termination and HPP liquidated damages** – Hawaiian Host Group has agreed that if Hawaiian Host Group fails or refuses to complete in default of its obligations for which any applicable cure period has expired plus an additional ten days for Hawaiian Host Group to cure and HPP is not in default of any of its obligations, the Hawaiian Host SPA will be terminated and Hawaiian Host Group will pay HPP liquidated damages of US\$4.7 million (cA\$6.7 million) and will have been deemed to forfeit the MNP Fee (**HPP LD Amount**).

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<sup>3</sup> A Competing Transaction is any proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed, would mean a person other than Purchaser would directly or indirectly, (i) acquire an interest in 20% or more of the shares in HPP, the Seller or the Company Parties; or (ii) acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a substantial part or a material part of the assets of or business conducted by HPP, the Seller or the Company Parties. Each successive modification of the purchase price of any actual, proposed or potential Competing Transaction constitutes a new Competing Transaction to which the notification and matching rights apply.