



# Welcome to the 2016 Buderim Group Limited Annual General Meeting



# Order of Business

- Welcome & Introductions
- Chairman's Address
- Chief Executive Officer's Address
- Items of Business
- Discussion



# Introductions

## Board

- Steve Morrow  
**Chairman**
- Shane Templeton  
**Non Executive Director**
- Peter O'Keefe  
**Non Executive Director**

## Executives

- Roger Masters  
**Chief Executive Officer**
- Andrew Bond  
**Company Secretary/CFO**





# CHAIRMAN ADDRESS



# Year in Review

A disappointing financial result

- Loss before tax of \$9.1m including \$4.5m of impairments
- Main contributors to loss:
  - product deletions
  - new products slower to market
  - Some new products faced intense launch competition
  - Agrimac margin squeeze
  - operational issues added to expenses
- Balance sheet helped by revaluation of MacFarms land carrying value by \$5.1m
- CEO will cover 2016 results in more detail



# Challenges facing Buderim Group

## Ginger

- Traditional ginger products mature and in some cases in decline
- High cost of launching new products
- Higher costs due to outsourcing of some processing and packaging.
- Distribution challenges



# Challenges facing Buderim Group

## Macadamias

- High prices requiring increased working capital
- Margin squeeze due to more NIS going to China
  - Processing overcapacity
  - Reluctance of kernel buyers to meet higher prices
- No secure supply of NIS for Agrimac
- MacFarms high supply chain costs



# What's Needed?

- Buderim is undercapitalised to properly address the challenges
- Bank debt is too high and working capital needs are increasing
- We need a capital injection to address the points above
- We need assistance with distribution to drive sales of both new and existing products.





# Strategic Review

Started in May 2016 to best address challenges including bank debt

- M&A Partners engaged to conduct a review and make recommendations
- Recommended sale and lease back of assets to pay down debt
- We also considered other options including mergers
- During the process we were approached by BDO with the concept for Chinese investment



# Proposed Transaction

- Share placement, rights issue and issue of convertible notes will raise \$26m
- Transaction parties deliver:-
  1. Much needed capital
  2. Distribution opportunities in China
- Details of the transaction have been sent to Shareholders with a notice of EGM set for Dec 20
- Your Board recommends Shareholders vote in favour of the transaction, in the absence of no other superior proposal



# Transaction Partners

- Representatives of both Wattle Hill and AMD are present
- CEO will outline the broad structure of the transaction in his presentation
- Albert Tse from Wattle Hill will address the meeting after the CEO to give you background on the two transaction parties



# Outlook

Financial Year 2017 will be affected by:

- MacFarms Crop - late dropping for harvest
- New products - recent launch in Woolworths and Coles October/November 2016
- Capital Restructuring costs
- Continued challenges for Agrimac
- Second half will depend on new product distribution and sales and any early benefit from Chinese distribution.
- benefit from Capital cost down projects not expected to impact until after FY18





## CEO ADDRESS



# Chief Executive Officer's Address

## Review of Business

Year Ended 30 June 2016



# Key Financials

- Sales Revenue increased by \$3.5 million (4.5%)
- Net Loss Before Tax at \$(9.1) million (pre-normalised) and \$(2.9) million (normalised).
- Net Loss After Tax \$(6.6) million.  
includes:
  - Non-cash impairments \$4.5 million
  - ‘One-Off’ expenses \$1.7 million



# Revenues

	2012	2013 H1	2014	2015	2016
Revenue	\$000's	\$000's	\$000's	\$000's	\$000's
Ginger	28,891	14,689	29,663	29,256	27,264
Macadamias	36,222	17,627	37,850	51,369	54,045
Baking	9,681	4,279	3,713	0	0
Tourism	3,877	1,857	3,994	4,069	4,418
Consol. Entry	(1,501)	(3,475)	(5,153)	(8,652)	(6,231)
<b>Consolidated Revenue</b>	<b>77,170</b>	<b>34,977</b>	<b>70,067</b>	<b>76,042</b>	<b>79,496</b>

- Total Sales Revenue up by \$3.5 million (4.5%)
- Ginger revenues declined with product deletions and lost sales in Frespac through supply shortfall; discounting to maintain shelf space.
- Macadamia revenues increase on back of significantly higher NIS buying prices.





# Profitability

	<b>2012</b>	<b>2013 H1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	\$000's	\$000's	\$000's	\$000's	\$000's
EBITDA pre-normalised		(4,602)	125	5,519	(5,875)
EBIT	4,181	(5,940)	(1,944)	3,328	(8,321)
NPBT pre-normalised	3,008	(6,403)	(2,956)	2,515	(9,163)
NPAT	1,840	(4,601)	(1,493)	290	(6,626)

	<b>2012</b>	<b>2013 H1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	\$000's	\$000's	\$000's	\$000's	\$000's
NPBT pre-normalised	3,008	(6,403)	(2,956)	2,515	(9,163)
Fair Value Adjustment				(3,556)	
Crop insurance		(476)	(1,124)		
One off expenses		5,701	1,145	1,372	1,737
Impairments					4,508
NPBT normalised	3,008	(1,178)	(2,935)	331	(2,918)



# Impairments

- ❖ Non-cash impairments \$4.5 million
  - Write off goodwill \$1.5 million in Agrimac.
  - Write off plant & equipment \$2.84 million in Ginger
  - Write off trademark cost \$150,000



# ‘One-Offs’

- Non-cash ‘one-offs’ \$1.7 million
  - Settlement legal claims dating from 2012
  - Indirect tax provision dating from 2008
  - Corporate advisor & due diligence costs
  - Product withdrawal costs
  - Stock write-offs & provisions (MacFarms)



# Key underlying factors

- inability to recover the high cost of Australian macadamia nuts from end customers
  - no orchard to mitigate high supply cost for mostly industrial sales
- high discounting in Ginger division to meet supermarket margin expectations to stay on shelf.
- High cost of production in ginger with use of co-packers.
- Sales lost in Frespac due to shortfall of ginger supply.



# Cash Flow

	2014 \$000's	2015 \$000's	2016 \$000's
<b>Cash Flows</b>			
Operating	462	145	(2,404)
Investing	(206)	(7,210)	(1,021)
Financing	11,360	(1,037)	2,426
<b>Net Cash Flow</b>	<b>11,616</b>	<b>(8,102)</b>	<b>(999)</b>
 <b>Debt</b>	 21,458	 21,024	 24,040
<b>Cash</b>	<b>12,634</b>	<b>4,532</b>	<b>3,901</b>
<b>Net Debt</b>	<b>8,824</b>	<b>16,492</b>	<b>20,139</b>

Major cash flows:

- Net borrowings increase of \$2.4 million
- Operating cash outflow are mainly trading losses.



# Objectives to turn around

- ❖ Change industrial focus to higher margin branded retail
- ❖ Strengthen our brand position
- ❖ Create new products to replace deletions
- ❖ Lower our cost structure with better automation and enhanced co-packing relationship
- ❖ Strengthen our distribution platform.
- ❖ Drive sales growth with new & existing products in enhanced distribution channels.
- ❖ Reduce product cost through increased volume
- ❖ Consider vertical integration opportunities




# Where are we up to? - Brands

The internet's finest ginger... *The Ginger Net* ...in one sweet location


#GoGinger

CHOOSE A GINGER CHANNEL




GINGER CATS  
Channel

THE BEST THING ON  
THE INTERNET JUST  
GOT MORE  
AWESOME




GINGER  
MIXOLOGIST  
Channel

GINGER COCKTAILS,  
MIXERS, AND  
HOMEBREWS FOR  
GOOOOOO TIMES



GINGER RECIPES  
Channel

FROM TEA TO  
NOODLES, DINNER  
TO DESSERT



Australia's  
Hottest  
Ginger

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Send us your own  
Ginger content by  
using the hashtag or  
submitting from  
here, here or here...

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# Where are we up to? - New Products





# Where are we up to? - Low Cost Structure

- ✓ Head Office – marketing, finance, operations has driven development of branding, new products, financial systems and quality assurance across the group.
- ✓ Manufacturing – pouch packing equipment, sugar handling equipment, electronic nut sorters, nut-in-shell sizing trommels.
- ✓ Replace more outsourced manufacturing



# Where are we up to? - Distribution

## The Fight for Shelf Space

- ✓ Drinks now in local channels
  - IGA 2015
  - Coles late 2016
  - Woolworths late 2016
  - Route trade starting late 2105
- ✓ Canada – confectionary and drinks
- ✓ USA – new distribution April 2016 in Hawaii, also gaining Guam and Saipan.
- ✓ UK – products in Sainsburys.
- ✓ Europe – wider distribution.
- ✓ CHINA – strategic partnering.



# Where are we up to? – Vertical integration

- ✓ MacFarms
  - supply from owned Kapua orchard
  - Value add enrobing plant
- ✓ Agrimac
  - Need to address supply challenge
  - Product branding challenge
- ✓ Ginger
  - Drinks bottling plant to lower cost



# OUTLOOK

- ❑ Drive sales growth with new & existing products in enhanced distribution channels.
- ❑ Reduce product cost through increased volume and enhanced co-packing relationship
- ❑ Consider vertical integration opportunities
- ❑ Opportunities through new investors
  - management co-operation
  - distribution into China
  - Strategic alliances & mergers



# PROPOSED TRANSACTION

## ❖ The Investors

- QiaQia Food Co. Ltd. (QiaQia), a Chinese publically listed company on the Shenzhen Stock Exchange that invests in companies in the FMCG market to invest through AMD, a Hong Kong-based private company; and
- Private Equity fund owned by Wattle Hill Fund

## ❖ The Transaction

- Placement of 15% (Dec 22nd) to AMD being the issue 6,504,463 Shares at 40c per share to raise \$2.6 million
- Convertible Notes (Dec 22nd) issue 25,000,000 Convertible Notes to AMD and 12,500,000 Convertible Notes to the Fund exercisable at 40 c per note to raise approximately \$15 million
- Renounceable Rights Issue (January 2107) of 1 for 2 at 36 c per share to raise \$9 million (before costs & expenses) underwritten by AMD.



# PROPOSED TRANSACTION

- ❖ Extraordinary General Meeting on 20 December 2016 to consider resolutions to approve the Transaction.
- ❖ Explanatory Memorandum sent to all shareholders sets out in detail the Transaction.
- ❖ Advantages
  - Repayment of \$15million in loans
  - Obtain the benefit of QQ distribution channels and experience in export markets
  - developing in-house manufacturing capability for processes currently outsourced
  - provide an alternative to the break-up and asset sale of the company which would otherwise be required in order to repay all its debt to Rabobank upon maturity of the existing facilities in November 2017 should the facility not be renewed and alternative bank financing not be found.



# PROPOSED TRANSACTION

## ❖ Disadvantages

- Change in board control.
- Dilution risk.
- Major controlling shareholders



# Discussion / Questions







# 2016 AGM ITEMS OF BUSINESS



# Financial Statements and Reports

To receive and consider the following reports in respect of the financial year of the Company ended 30 June 2016:

- The Financial Report (which includes the Statement of Financial Position, Statement of Comprehensive Income, Cash Flow Statement and Directors' Declaration); and
- The Directors' Report and the Auditor's Report.



# Resolution 1 – Re-election of Director Mr Shane Tyson Templeton

To consider and, if thought fit, to pass the following Ordinary Resolution:

- That Mr Shane Tyson Templeton, who retires by rotation in accordance with the Constitution and, being eligible for re-election, be re-elected as a Director.



## Resolution 2 - Remuneration Report included in the Directors' Report

To consider and, if thought fit, to pass the following Ordinary Resolution under section 250R of the *Corporations Act*:

- That the section of the Directors' Report dealing with the remuneration of the Company's Directors and senior executives ('Remuneration Report') be adopted.



# Resolution 3 – Constitution - Proportional Takeover Provisions Renewal

To consider and if thought fit, pass the following resolution as a Special Resolution:-

- That the proportional takeover approval provisions contained in clause 10 of the Constitution of the Company be hereby renewed for a further period of 3 years from the date of this resolution pursuant to section 648G of the *Corporations Act 2001*.



# Discussion / Questions





Thank You

Please join us for refreshments

