



ASX Announcement

25 February 2021

Youfoodz delivers strong H1 FY2021 result and reaffirms prospectus forecasts

BRISBANE Australia, 25 February 2021: Youfoodz Holdings Limited (ASX:YFZ) (**Youfoodz** or the **Company**), one of Australia's fastest growing consumer food brands, is pleased to release its half year results for the period ended 25 December 2020 (H1 FY2021).

Management will present the Company's H1 FY2021 results at 9.00am (Sydney / Melbourne time) today (Thursday, 25 February 2021). Details for the call have been separately released.

Highlights

- **Strong growth and performance across key operating metrics in H1 FY2021**
 - **B2C (Home Delivery) orders up 34.5% vs pcp to 664,265**
 - **Active B2C customers up 47.8% vs pcp to 197,563**
 - **New B2C customers up 89.6% vs pcp to 87,895**
- **H1 FY2021 gross revenue¹ up 16.5% vs pcp to \$100.0 million. H1 FY2021 net revenue up 15.3% vs pcp to \$73.4 million. Revenue weighted towards B2C, reflecting strong growth in this channel and B2B continuing to be affected by the impact of COVID-19 restrictions on consumer behaviour and shopping trends**
- **Gross profit margin² for H1 FY2021 of 31.9%, up 1.5% vs pcp**
- **EBITDA³ for H1 FY2021 of \$0.5million, vs H1 FY2020 of \$1.7million (and H2 FY2020 EBITDA loss of \$(4.4) million)**
- **Reported NPAT for H1 FY2021 of \$2.5 million, vs a loss in pcp of \$(1.9) million**
- **Range of customer orientated operational and marketing initiatives delivered during the period**
- **Well capitalised following IPO, with cash at bank of \$39.0 million as at 25 December 2020 (net cash of \$35.0 million)**
- **Continued momentum into H2 FY2021 and FY2021 prospectus forecasts reaffirmed**

Commentary

Youfoodz reports its half-year result, announcing gross revenue of \$100.0 million, EBITDA of \$0.5 million and a reported net profit after tax of \$2.5 million. Commenting on the result, Youfoodz CEO, Lance Giles, said *"Youfoodz is delighted to announce its first half-year result as a listed company. We have achieved strong growth across key metrics, which is confirmation of the hard work and dedication of the entire Youfoodz team, together with the support of our extensive customer and supplier base. Furthermore, this was achieved at a time when much of the country*

¹ Gross revenue is a non-IFRS financial measure and is unaudited. Gross revenue represents total revenue before terms and discounts.

² Gross profit as a % of net revenue.

³ EBITDA (earnings before interest, tax, depreciation and amortisation) is a non-IFRS financial measure. Excludes non-trading income and post application of AASB 16.

was experiencing ongoing COVID-19 related disruption and significant management focus was on our IPO. Delivering such a result during this period demonstrates the strength of our business model and the depth of talent in our team.

“We saw strong results in certain key areas for our company, in particular B2C where Youfoodz has delivered significant new customer acquisition and revenue growth. While our B2B customers have faced challenging trading conditions arising from the impact of COVID-19 restrictions on consumer behaviour and shopping trends, we have continued to work closely with them to expand the range of Youfoodz products and add new stores.

“Through a range of operational and marketing initiatives delivered during H1 FY2021 (with more to be implemented during H2) Youfoodz is continually improving the way we service our existing customers and attract new customers. We are extremely pleased with the momentum that has continued into H2 FY2021 and continue to see significant growth opportunities across our business.”

H1 FY2021 Financial Results

For the half year ended 25 December 2020 (H1 FY2021), Youfoodz delivered strong headline growth vs pcp. The following table provides a summary of key financial metrics (refer Appendix A for further information), with further discussion provided below.

A\$ million	H1 FY2021	H1 FY2020 (pcp)	Variance (\$m) (vs pcp)	Variance (%) (vs pcp)
Gross revenue	100.0	85.8	↑ 14.2	16.5%
Net revenue	73.4	63.7	↑ 9.7	15.3%
Gross profit	23.4	19.4	↑ 4.0	20.9%
EBITDA	0.5	1.7	↓ (1.2)	70.6%
NPAT	2.5	(1.9)	↑ 4.4	nm
% of net revenue				
GP margin	31.9%	30.4%	↑ -	1.5%
EBITDA margin	0.7%	2.6%	↓ -	1.9%

Discrepancies between totals and sums and components in the table are due to rounding.

For the half year ended 25 December 2020 (H1 FY2021), gross revenue was \$100.0 million, up 16.5% on the prior comparative period (pcp), and net revenue was \$73.4 million, up 15.3%.

This result was supported in particular by a strong Q2 FY2021, where customer acquisition initiatives delivered significant gains leading up to, and during, the traditional holiday period (a quarter which is seasonally affected and otherwise historically has experienced significantly softer volumes).

Youfoodz reported gross profit of \$23.4 million (up 20.9% vs pcp). With a continued focus on production efficiencies, gross profit margins increased to 31.9% (vs pcp of 30.4%).

Operating expenses (excluding marketing) increased by 4.5% vs pcp, predominantly reflecting increased activity during the period.

Marketing expenses increased by 95.0% vs pcp to \$9.5 million, reflecting the implementation of a revised marketing programme during FY2021 from an historically low base in FY2020 (the period during which Company deliberately slowed growth as part of its strategic reset - refer to the Company’s Prospectus for further discussion), together with

the strategic decision to bring forward the summer marketing campaign during Q2. This contributed to an 89.6% increase in new B2C customer acquisitions during the period.

In line with expectations, the Company delivered EBITDA (excluding non-trading income) of \$0.5 million for the period. This compared to EBITDA of \$1.7 million in H1 FY2020 (and an EBITDA loss of \$(4.4) million in H2 FY2020).

After allowing for depreciation and amortisation, net finance income (predominantly ATO interest rebate on settlement of indirect tax liabilities) and non-trading income (predominantly JobKeeper benefits, net of related costs), the Company reported a statutory net profit after tax of \$2.5 million vs a loss of \$(1.9) million for pcp.

Cashflow and Financing

Cash receipts in H1 were \$80.4 million (versus net revenue of \$73.4 million, which excludes GST). Payments to suppliers were approximately \$80.0 million. After allowing for the payment of indirect tax liabilities (\$22.5 million), net interest and income taxes, the operating cash outflow for the period was \$24.2 million.

Cash as at 25 December 2020 totalled \$39.0 million (net cash of \$35.0 million), ideally positioning to Company to fund its IPO objectives.

Business Update

Youfoodz key headline metrics showed continued substantial growth during the half, notwithstanding ongoing economic and social impacts from the COVID-19 pandemic, including B2C demand volatility and raw material and service cost fluctuations. As previously advised, Youfoodz has been able to successfully manage these market-wide occurrences and anticipates the COVID-19 pandemic may continue to have unpredictable impacts across the industry.

Refer below for further discussion.

Key Operating Metrics

During H1 FY2021, Youfoodz achieved strong growth across many of its key operating metrics.

	Unit	H1 FY2021	H1 FY2020	Variance (%)	
Group					
Total meals prepared	(000's)	9,549	7,995	↑	19.4%
Gross revenue	(A\$m)	100.0	85.8	↑	16.5%
Net revenue	(A\$m)	73.4	63.7	↑	15.3%
Gross profit margin	(%)	31.9%	30.4%	↑	1.5%
B2C (Home Delivery)					
Gross revenue	(A\$m)	64.5	47.0	↑	37.2%
Gross profit margin	(%)	34.9%	33.6%	↑	1.4%
Average order value	(\$ per order)	97.0	95.2	↑	2.0%
Number of orders	(#)	664,265	493,698	↑	34.5%
Number of active customers ⁴	(#)	197,563	133,656	↑	47.8%

⁴ Active customers are customers who have ordered through the Company's B2C channel in each reporting period.

	Unit	H1 FY2021	H1 FY2020	Variance (%)	
Number of new customers	(#)	87,895	46,346	↑	89.6%
B2B (Wholesale)					
Gross revenue	(A\$m)	35.5	38.8	↓	8.5%
Gross profit margin	(%)	25.1%	26.0%	↓	0.9%
Units sold	(000's)	4,512	4,860	↓	7.2%
Average unit price	(\$ per unit)	7.9	8.0	↓	1.5%

B2C (Home Delivery)

B2C delivered strong growth during H1 FY2021, with gross revenue up an impressive 37.2% vs pcp to \$64.5 million. This was driven by a range of marketing initiatives translating into rapid customer acquisition, with 87,895 new customers being added over the half (up 89.6% vs pcp).

While new customer acquisitions grew significantly, it has been pleasing to see customer order frequency remaining relatively consistent at approximately 2.7 per quarter and average order value increase by 2.0% to \$97.0 per order for the half. A key objective for Youfoodz is to improve order frequency through the implementation of such initiatives as encouraging adoption of the customer subscription offering (refer H1 FY2021 results investor presentation).

Following release of our Q2 Quarterly Business Update in January 2021, Youfoodz launched its partnership with Velocity, enabling Youfoodz customers to earn rewards points on any orders purchased. While still at an early stage, we have been extremely pleased with the customer take-up to date.

Following a range of customer orientated initiatives implemented during the half (including the previously announced next day delivery into NSW and Subscription Service on App), together with the ongoing national summer marketing campaign, Youfoodz is achieving continued momentum into H2 FY2021, with ongoing strong levels of new customer acquisition and revenue generation being observed in January 2021.

B2B (Wholesale)

Gross revenues from B2B decreased by 8.5% relative to pcp to \$35.5 million. During the period, sales to certain B2B customers declined as they were impacted by reduced foot traffic arising, in part, from state-by-state government strategies to address COVID-19. While sales began to recover during Q2 FY2021 as restrictions eased (including a record quarter for one large supermarket customer), we expect our wholesale customers may face ongoing challenges and uncertainty as pandemic restrictions evolve, including in response to any localised COVID-19 events.

Youfoodz continues to strengthen its wholesale relationships and explore ways to broaden the overall partner offering. This includes continuing to work with existing customers on range expansion (particularly in the supermarket and P&C channels) and targeting new wholesale customers.

New Facility Update

As previously advised, the development of the new Youfoodz facility is progressing as planned.

Youfoodz has signed a heads of agreement in relation to a preferred site, located in Brisbane, and is in the process of finalising relevant legal documentation. Youfoodz is also pleased to advise that it has engaged Wiley and Co as specialist project managers. Wiley and Co brings significant experience in construction management and building, in particular in the food and beverage industry. Further details will be announced in due course.

Concurrent with site and project manager selection, Youfoodz has finalised the new facility design and is testing a range of new equipment ahead of placing orders.

Youfoodz looks forward to updating the market as key milestones are achieved towards this important project.

Outlook

Consistent with expectations, Youfoodz has delivered significant growth in H1 FY2021 vs pcp. Pleasingly, early results in H2 FY2021 indicate this momentum is continuing, with strong results achieved in January 2021, particularly in B2C where customer acquisition and orders are significantly above pcp.

Looking forward, B2C is expected to continue to be the main contributor of growth in the near-term. Given the ongoing uncertainty associated with COVID-19, and its impact on consumer shopping habits, B2B is expected to return to growth once conditions normalise. Accordingly, the Company expects the overall revenue mix to continue to be weighted towards B2C for the remainder of FY2021.

On the basis of trading to date, Youfoodz remains confident of achieving, and reaffirms, its prospectus forecasts (including FY21 gross revenue of \$199.8 million, net revenue of \$149.9 million and EBITDA⁵ of \$2.9 million).

This announcement has been authorised by the Board of Youfoodz Holdings Limited.

ENDS

⁵ Youfoodz' Prospectus dated 30 October 2020 included FY21 forecast EBITDA on a pro forma and statutory basis of \$0.5 million and \$2.9 million, respectively, with the difference reflecting the application of AASB 16 Leases (applied on a statutory basis). The pro forma figure was included in the prospectus for comparison with historic periods which were shown on a pre-AASB 16 basis.

More information

For further information, investors are invited to visit our website www.investors.youfoodz.com.

Alternatively:

Youfoodz investor relations Edward Loneragan <i>Deputy CFO and Head of Investor Relations</i> T: +61 7 4243 4466 E: ir@youfoodz.com	Media enquiries Erica Borgelt <i>Newgate Communications</i> T: +61 413 732 951 E: erica.borgelt@newgatecomms.com.au
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About Youfoodz

Youfoodz specialises in the production and distribution of high quality and affordable fresh, readymade meals and other convenience food products for residential (home delivery), retail and corporate customers. Since inception in 2012, Youfoodz has delivered over 60 million ready-made meals to its home delivery, retail and corporate customers.

Products are marketed and distributed through an omni-channel sales model to a database of more than 850,000 home delivery customers via a direct-to-consumer offering (B2C) and via a business-to-business offering to supermarkets, independent grocers, petrol and convenience stores, corporate and government customers (B2B).

Youfoodz operates three production facilities in Brisbane, Australia and has developed a scalable, proprietary manufacturing technology to optimise production and supply-chain management. The Company's three facilities produce more than 350,000 ready-made meals, 80,000 snacks and 25,000 drinks per week on average.

Additional information is available at: <https://www.investors.youfoodz.com>

APPENDIX A

A\$ million	H1 FY2021	H1 FY2020		Variance (%)
B2C revenue	64.5	47.0	↑	37.2%
B2B revenue	35.5	38.8	↓	8.5%
Gross revenue⁶	100.0	85.8	↑	16.5%
Terms and discounts	(26.6)	(22.1)	↑	20.0%
Net revenue	73.4	63.7	↑	15.3%
Cost of goods sold	(50.0)	(44.3)	↑	12.8%
Gross profit	23.4	19.4	↑	20.9%
Marketing expenditure	(9.5)	(4.9)	↑	95.0%
Employee costs	(8.3)	(8.3)	↓	0.8%
Occupancy costs	(1.9)	(1.8)	↑	6.5%
General admin & other (excl. non-trading income)	(3.2)	(2.7)	↑	19.6%
Operating expenditure	(22.9)	(17.7)	↑	29.9%
EBITDA⁷	0.5	1.7	↓	71.0%
Depreciation & amortisation	(2.0)	(1.8)	↑	8.9%
EBIT	(1.5)	(0.2)	↓	nm
Net finance expense ⁸	2.1	(1.8)	↑	nm
Net operating profit / loss	0.5	(1.9)	↑	nm
Non-trading income ⁹	1.9	-	↑	nm
Net profit / (loss) before tax	2.5	(1.9)	↑	nm
Tax (expense) / benefit	-	-	↑	nm
NPAT	2.5	(1.9)	↑	nm

Discrepancies between totals and sums and components in the table are due to rounding.

⁶ Gross revenue is a non-IFRS financial measure and is unaudited. Gross revenue represents total revenue before terms and discounts.

⁷ Youfoodz uses EBITDA as a non-IFRS measure of business performance. Excludes non-trading income.

⁸ Net finance expense for FY21 predominantly includes ATO interest rebate on settlement of indirect tax liabilities.

⁹ Non-trading income includes JobKeeper benefits received, net of COVID related costs, IPO expenses and share based payments.