

## HALO ACHIEVES FURTHER HEADLINE SALES GROWTH THROUGH FIRST HALF FY23

30 November 2022

Halo Food Co. Limited (ASX:HLF) (the “Company” or “Halo”) reports its audited half year financial results for the six months ending 30 September 2022 (“1H FY23”) and lodge the accompanying Appendix 4D.

### 1H FY23 Results Snapshot

- Strong and continued sales growth across the Halo group - sales totalled \$41.6m for 1H FY23 an increase of 49% over the prior corresponding period;
- Like-for-like sales (excluding The Healthy Mummy (THM)) with the prior corresponding period totalled \$34.2m for 1H FY23 and represents an increase of 23% compared with sales of \$27.8m from 1H FY22;
- Pro-forma sales for the consolidated group are 13% higher in 1H FY23 compared with 1H FY22;
- Statutory EBITDA loss of \$1.3m for 1H FY23 compared with \$737k in 1H FY22;
- Normalised consolidated group EBITDA profitability was \$578k for 1H FY23, a decrease from \$737k in 1H FY22;
- Key normalisations through 1H FY23 included one-off transaction costs of \$783k, redundancies and employee cost-outs of \$870k and non-cash share-based payments expense of \$188k;
- Reported EBITDA loss attributed to underperformance in the New Zealand Dairy business, driven by all time high milk powder pricing resulting in softer demand from clients (including the partnership with Theland) and underperformance of The Healthy Mummy in an uncertain macroeconomic environment;
- Australian Contract Manufacturing sales increased through the period by more than \$7.1m, 36% over the prior period, driven by additional contract wins, repeat and increased volumes from existing clients and new product capability with the bar line despite sector headwinds related to labour and material price increases and material shortages;
- Brands division sales increased to \$1.6m for the period, a 19% increase over the prior half year period of FY22, driven by a focus on core product SKUs within Tonik and increased retail ranging;



- The Healthy Mummy (consolidated into Halo from 1 April 2022) recorded softer sales of \$7.2m for the period compared with the prior half period of \$9.1m and a reported EBITDA loss from operations as a result of deteriorating trading conditions for e-commerce/digital businesses, cost of living pressures and one-off transaction costs related to the acquisition;
- Net cash used in operating activities increased to \$3.9m in 1H FY23 from \$2.8m in 1H FY22, driven by one off transaction costs related to the acquisition of The Healthy Mummy and delayed debtor receipts from customers (as previously reported in the Quarterly Activities Reports), net cash from operations decreased significantly in the September 2022 quarter;
- Closing cash at 30 September was \$3.5m plus term deposits of \$539k, totalling \$4.0m per the previously reported balance in the Appendix 4C.

\$A million	Halo	Halo		Statutory		Pro-forma	
	Statutory	Statutory	Pro-forma	Statutory	Pro-forma	Statutory	Pro-forma
	1H FY23	1H FY22	1H FY22	Change		Change	
Total Group Sales Revenue	41.6	27.8	36.9	▲ 49%	▲	▲ 13%	
<i>Segment</i>							
Australia Contract Manufacturing	27.0	19.9	19.9	▲ 36%	▲	▲ 36%	
New Zealand Dairy	5.6	6.6	6.6	▼ -15%	▼	▼ -15%	
Brands	1.6	1.4	1.4	▲ 19%	▲	▲ 19%	
The Healthy Mummy	7.2	-	9.1	n/a	▼	▼ -20%	

## 1H FY23 Operational Highlights

### 1. Contract Manufacturing

Contract Manufacturing in Australia has continued to grow across the first half in the Australian operations notwithstanding supply chain challenges, rising costs of raw ingredients and labour shortages. Halo has continued to see good demand from the existing client base and has won additional contract work with Coles and onboarded other new clients through the period. This demand has continued into 2H FY23 with a strong order book. Ingredient pricing has been elevated through the period and while the price increases are passed onto clients, in certain cases, supply shortages have resulted in the need to secure supply from alternative suppliers at higher prices in order to meet customer demand and in line with agreed quarterly pricing. As ingredients come back into stock with preferred suppliers, pre-agreed supply pricing will be realised and pricing margins restored.

Demand in the UHT plant has been strong from the majority of the client base enabling an improvement of trading terms between Halo and UHT customers and a shortening of the working capital cycle. These improved terms were passed on and effective from October 2022 onwards and subsequent to period end.

The New Zealand Dairy vertical has realised a softening of demand primarily driven by all time high milk powder prices resulting in reduced sales in New Zealand and internationally. While the vertical has underperformed budget through 1H FY23, milk



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powder pricing has begun to soften and demand from clients, particularly China based clients, is returning. The land orders have increased in size and frequency over Q2 FY23 as the lower milk powder price has sparked demand to restock, sales to The Land for 1H FY23 totalled c.\$2.4m, and while well short of expectations due to powder pricing, the frequency and volume of orders is growing. Furthermore, price increases have been agreed with local clients in New Zealand increasing margins from the 2H FY23 and additional international clients have recommenced orders from December 2022 onwards as they have rectified outstanding accounts with Halo and returned to trading terms.

## 2. Brands

The Branded division has continued to achieve additional sales and ranging through 1H FY23, resulting in more than 2,100+ retail sites confirmed for Tonik ranging in Q2 FY23 alone. Sales increased 19% to \$1.6m for the period and further additional ranging has been secured following the end of the period, including:

- BP Australia – 1,000+ nationally for two Tonik Protein bars, first orders due in January 2023;
- United Convenience Buyers Group – 1,300+ sites nationally for five Tonik Protein bars, activation into stores due in February 2023; and
- Foodworks – 500+ supermarkets nationally for all Tonik Protein shakes and Tonik Protein bars, activation into stores due in January 2023.

There are additional and ongoing discussions with other major banner retailers, petrol and convenience banner groups and pharmacy chains. Halo expects to continue to add additional retail ranging through calendar year 2023. Furthermore, Tonik bars were launched through the Healthy Mummy platform in October and have performed well through the initial period, with re-orders now occurring.

Subsequent to period end, Brands had a record sales month in October of \$500k driven by previously announced ranging and growing brand awareness in the sector.

## 3. The Healthy Mummy

Halo successfully completed the acquisition of The Healthy Mummy on 1 April 2022 and continues to migrate the THM business into Halo. The manufacture of THM SKUs into Halo's manufacturing facilities in Melbourne is now largely complete.

THM sales and earnings through 1H FY23 are lower than the prior corresponding period, driven by an uncertain macroeconomic environment, rising interest rates and cost of living pressures. Notwithstanding these headwinds, the business has actioned long term strategic initiatives in order to return to growth and profitability including a sustainable and material reduction of ~15% operating expenditure in August and September 2022.

A core growth objective for The Healthy Mummy is to secure national retail ranging with leading supermarkets and mass market retailers and pharmacy chains. As announced in early November, The Healthy Mummy has secured national ranging with Woolworths due to roll out from late January 2023 onwards. The initial ranging includes three core SKUs, including a multipack on-the-go sachet pack (a THM product first) at the request of THM customers. The sales value of the products is forecast to be approximately \$2.5m in the first year, subject to promotional activity by both THM



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and Woolworths.

Securing Woolworths ranging will provide a significant boost for the brand and will broaden the customer funnel for which to convert THM/Woolworths shoppers to THM digital subscriber app users generating additional sales and improve profitability. Woolworths and THM are currently finalising brand activation strategy for early 2023 to maximise the sales potential and working on mutually beneficial partnership initiatives to drive performance of the THM brand in the category.

In line with Tonik distribution, THM has secured ranging at Foodworks across the 500+ national sites. Foodworks will take the majority of the THM SKUs and activation into stores will commence from January 2023.

Multiple other retail discussions remain ongoing with a number at an advanced stage for THM products. Halo will update the market on the outcome of those discussions in due course as they are finalised.

As THM approaches the busy seasonal period of the year, a number of initiatives have been completed and others ongoing to maximise the sales potential and appeal of the products (digital and consumable/non-consumable). These include:

- THM product rationalisation and sales mix for digital subscription products and physical smoothie, supplement and skin products;
- Rationalisation of digital subscription products, with a clear focus on monthly and annual digital subscriptions via the THM app moving forward to maximise recurring revenue;
- THM new product development for future retail ranging and for existing B2C e-commerce channels (new product launched through November 2022);
- Successful roll-out of the new theme on the THM website and shop, including new layouts and new product images. This is part of a larger strategic initiative around search engine optimisation (SEO) ultimately driving further traffic to the THM website;
- Increased public relations and media initiatives across multiple channels, resulting in several Studio 10 appearances, Channel 9 Morning Show appearances and a front cover and two page article in the Saturday Telegraph magazine with national syndication; and
- Refocus of digital marketing spend, working with leading marketing agencies to drive conversion while reducing customer acquisition cost.



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Halo's CEO, Jourdan Thompson, stated at the release of the 1H FY22 results "Halo has continued to grow its client base and operations through the first half of the 2023 financial year resulting in a diverse and more robust business well positioned to realise further growth and capitalise on the strategic initiatives underway."

"The first half has witnessed challenges relating to supply chain delays, raw ingredient elevated pricing and shortages in addition to labour shortages that have adversely affected the financial performance of the group."

"There are strong and encouraging signs across the group for an improved second half in FY23 and successful 2023 calendar year. The sales book in contract manufacturing is strong and robust, the secured retail ranging for The Healthy Mummy and Tonik is substantial, with further promising discussion well underway. National retail ranging through the course of 2023 is incredibly exciting and offers significant upside for the group as products are rolled into stores nationally, building brand awareness and penetration."

The release of this announcement, Appendix 4D and Interim Report has been authorised by the Board of Halo Food Co. Limited.

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### Further Information

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### About Halo Food Co. Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Halo Food Co. Limited is an established manufacturer and exporter of formulated dairy products and health and wellness products. Halo Food Co. is a leading Australian and New Zealand product developer and manufacturer in the health and wellness sector, with dry powder, ready to drink UHT and protein bar health and wellness-based product capability. In addition to Halo Food Co.'s own brands, including The Healthy Mummy and Tonik, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit [www.halofoodco.com](http://www.halofoodco.com) for further information.

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