

## HALO CONTINUES TO DELIVER STRONG YEAR-ON-YEAR GROWTH IN ITS CORE COMAN AND BRANDS BUSINESSES OFFSET BY UNDERPERFORMANCE IN THM AND NZ THROUGH FY23

### QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

28 April 2023

Halo Food Co. Limited (ASX:HLF) (“Halo” or the “Company”) is pleased to provide the following quarterly update on its activities and lodge the Appendix 4C Cash Flow Statement for the fourth and final quarter of the 2023 financial year ending 31 March 2023 (“Q4 FY23”).

#### FY23 and Q4 FY23 Financial Overview

\$A million	Statutory	Statutory	Pro-forma	Statutory		Pro-forma	
	FY23	FY22	FY22	Change		Change	
Total Group Sales Revenue	83.9	59.9	80.1	▲	40%	▲	5%
<i>Segment</i>							
Australia Contract Manufacturing	53.7	41.0	41.0	▲	31%	▲	31%
New Zealand Dairy	12.7	16.3	16.3	▼	-22%	▼	-22%
Brands	3.6	2.7	2.7	▲	35%	▲	35%
The Healthy Mummy	14.0	-	20.1		n/a	▼	-31%

Annual FY23 revenue results are unaudited management accounts and audited results will be released by the end of May 2023

- Halo reports strong annual sales growth in Australian Contract Manufacturing and the Brands division and overall group revenues from FY22 to FY23;
- Growth offset by underperformance in the New Zealand Dairy and The Healthy Mummy segments;
- Q4 FY23 sales are segmented as follows:
  - Australian contract manufacturing \$12.5m
  - New Zealand contract manufacturing \$3.1m
  - The Healthy Mummy \$3.5m
  - Brands \$932k
- Cash receipts from customers for the quarter totalled \$26.5m representing a 10%



increase of \$2.4m from Q3 FY23;

- An increasing focus on overdue customer accounts led to the balance of overdue accounts reducing to total approximately \$1.0m compared with \$1.8m in Q3 FY23. Halo will continue its strong focus on debtor collections and does not expect any bad debt expenses. Throughout the quarter there has been a significant focus on working capital management and this will continue into FY24;
- The annualised growth across Australian Contract Manufacturing and Brands is encouraging. THM and New Zealand Dairy revenues are however underperforming against the prior year:
  - NZ: Total sales for FY23 of \$12.7m compared to \$16.3m for FY22 with the reduction attributed to a decline in orders from Chinese customers as a result of all time high milk powder pricing. Halo is now seeing a rebound in orders as the milk powder price has reduced;
  - THM: Total sales for FY23 of \$14.0m compared to \$20.1m for FY22, a reduction of 30%. This underperformance results from macroeconomic headwinds and considerably tighter consumer discretionary spending in e-commerce. Halo has removed \$160k of costs per month from operating expenses to partially offset this reduction and are exploring additional improvements to revenue and costs over the coming months.
- Advertising and marketing costs for the quarter rose \$300k over the prior quarter as The Healthy Mummy entered the peak January period, supporting higher sales, brand awareness and conversion through this key period. Additionally marketing spend was allocated towards the national launch of The Healthy Mummy brand into retail via Woolworths;
- Staff costs decreased through the quarter by \$455k as a result of sustained cost cuts and restructuring undertaken in prior periods; and
- Halo recorded a net cash outflow of \$1.1m cash from operations during Q4 FY23 compared with net cash generation of \$1.4m in Q3 FY23.

As at 31 March 2023, Halo had a combined cash balance of \$2.7m per the attached Appendix 4C, excluding \$538k of security deposits related to bank guarantees for various leased facilities across the Australian manufacturing footprint.

## Q4 FY23 Operational Highlights

### 1. Contract Manufacturing

Contract manufacturing across Australia and New Zealand continued in a steady state through Q4 FY23 and realised sales of \$15.6m and total sales for FY23 of \$66.4m, recording year-on-year growth of 15%.



Halo Food Co. Limited  
ABN: 49 621 970 652  
Level 5, 126 Phillip Street  
Sydney NSW 2000 Australia  
halofoodco.com

During Q4 FY23 Halo was awarded a third Coles private label tender for an estimated sales value of \$2.9 million per annum with product due to be in store from May 2023. Additionally, Coles has awarded Halo a further and fourth private label tender win, this fourth private label tender win is estimated to have an annual sales value of \$1.7 million per annum with product due in Coles stores in October 2023. The total estimated value per annum of Coles awarded work through the quarter is \$4.6 million and is in addition to the first two private label tenders secured which Halo continues to manufacture and supply.

The New Zealand Dairy business continues to pursue a number of large contracts with domestic and international customers, while simultaneously servicing the existing client base of the business. Sales in FY23 were 20% lower than FY22 as all time high milk powder prices reduced demand from our customers in China. Demand from these customers is now returning as the price of milk powder has decreased. The division will continue to diversify its client base and will update the market on new contract wins as they occur.

## 2. Brands Division

The branded division recorded sales of \$932k for the quarter. Halo's proprietary protein brand Tonik recorded its strongest sales quarter on record of \$768k and is now the largest brand in the division. 40% of the Tonik sales were recorded in March 2023 alone. Tonik Pro protein bars and Tonik Pro protein shakes grew by 55% and 35%, respectively, over the prior quarter.

Tonik sales are increasing month on month as the brand increases distribution, brand recognition and builds on industry awards and brand awareness. The branded division is pursuing additional distribution in major petrol and convenience banner groups as well as major and independent grocery. Further range review meetings and trade shows are scheduled over the coming quarter and Halo will update the market as further ranging is secured.

## 3. The Healthy Mummy (THM)

Q4 FY23 incorporated the peak New Year trading period for The Healthy Mummy and simultaneously the launch of The Healthy Mummy nationally into retail stores via major grocer Woolworths. January realised strong sales demonstrating the underlying appeal of the brand and business to consumers in market.



Halo Food Co. Limited  
ABN: 49 621 970 652  
Level 5, 126 Phillip Street  
Sydney NSW 2000 Australia  
halofoodco.com

Halo's key growth initiative of expanding THM into major grocery and mass market retailers is building momentum. THM secured further ranging in the Woolworths Vitamins range review with three THM vitamin products to be ranged in store from late June 2023. The products include The Healthy Mummy Metabolism tablets, The Healthy Mummy Bloat capsules and The Healthy Mummy Apple Cider Vinegar capsules. The vitamin sales are forecast to be approximately \$1,000,000 in the first year to Halo.

The THM powdered sales in Woolworths are tracking ahead of budget, the business anticipates sales of approximately \$2.5m over the first year and Woolworths have placed orders of \$1.3m to date, including more than \$600k in April 2023 alone. 50% of the anticipated sales for the first 12 months have been achieved in the first four months of trading.

However, THM trading overall is down 30% year-on-year for the twelve months to 31 March 2023 compared with the same period to 31 March 2022, principally driven by macroeconomic headwinds and considerably tighter consumer discretionary spending in e-commerce. Over the 12 month period, Halo has reduced operating costs by \$160k per month and are exploring additional initiatives to increase revenues and optimise the cost base. This includes contracting THM founder Rhian Allen from February 2023 to consult on a monthly basis to the business following the completion of her employment contract in December 2022.

As previously announced and due to the decline in the digital and e-commerce business Halo expects that upon the release of its full year accounts by the end of May 2023, it will record a non-cash impairment to the goodwill of The Healthy Mummy on the Company's balance sheet.

## Other

Payments to executive and non-executive directors continued to fall from Q2 and Q3 FY23 as the reduction in salaries to the board commenced in December 2022, the full reduction was realised in the quarter. Payments to executive and non-executive directors in HLF totalled approximately \$33,000 for salaries and wages in the quarter, as outlined in section 6.1 of the accompanying Appendix 4C.



Halo Food Co. Limited  
ABN: 49 621 970 652  
Level 5, 126 Phillip Street  
Sydney NSW 2000 Australia  
halofoodco.com

As at 31 March 2023, 46,511,628 Performance Shares are on issue, per the table below. These Performance Shares will not convert to ordinary shares as the vesting criteria have not been satisfied.

	Performance Shares on issue at start of period or issued through the period (A)	Performance Shares converted to KTD shares during the period (B)	Performance Shares expired during the period (C)	Performance Shares on issue at the end of the period (A) – (B) – (C)
Class E <sup>1</sup>	23,255,814	0	0	23,255,814
Class F <sup>2</sup>	23,255,814	0	0	23,255,814
Total	46,511,628	0	0	46,511,628

The release of this announcement was authorised by the Board of Directors of Halo.

\* \* \* \* \*

### Further Information

Jourdan Thompson  
 Chief Executive Officer, Halo Food Co. Limited  
 Email: [investors@halofoodco.com](mailto:investors@halofoodco.com)  
 Tel: +613 9587 6483

<sup>1</sup> Each Class E Performance Share will convert into one share upon the Company achieving a volume weighted average price of its shares over a period of 30 consecutive trading days upon which the shares are traded that exceeds \$0.65 and, in relation to the Omniblend Group, \$50,000,000 of annual revenue, in any financial year occurring on or before 31 March 2023

<sup>2</sup> Each Class F Performance Share will convert into one share upon the Company achieving a volume weighted average price of its Shares over a period of 30 consecutive trading days upon which the Shares are traded exceeding \$1.00 and, in relation to the Omniblend Group, \$100,000,000 of annual revenue and \$7,500,000 of earnings before interest, taxes, depreciation and amortisation, in any financial year occurring on or before 31 March 2023



**Halo Food Co. Limited**  
 ABN: 49 621 970 652  
 Level 5, 126 Phillip Street  
 Sydney NSW 2000 Australia  
[halofoodco.com](http://halofoodco.com)

## 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.

ENDS



Halo Food Co. Limited  
ABN: 49 621 970 652  
Level 5, 126 Phillip Street  
Sydney NSW 2000 Australia  
[halofoodco.com](http://halofoodco.com)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Halo Food Co Limited

**ABN**

49 621 970 652

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	26,575	92,247*
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(22,013)	(73,486)*
(c) advertising and marketing	(1,181)	(3,951)
(d) leased assets	(128)	(508)
(e) staff costs	(2,979)	(12,289)
(f) administration and corporate costs	(781)	(4,381)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	60
1.5 Interest and other costs of finance paid	(585)	(1,684)*
1.6 Income taxes paid	-	(280)
1.7 Government grants and tax incentives	-	30
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,092)</b>	<b>(4,242)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	(10,320)
(c) property, plant and equipment	(253)	(313)
(d) investments	-	-
(e) intellectual property	(182)	(322)
(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	11	11
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	10
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(424)</b>	<b>(10,934)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(350)
3.5	Proceeds from borrowings	1,836	21,976
3.6	Repayment of borrowings	(1,538)	(10,442)*
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(577)
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>298</b>	<b>10,607</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,799*	7,186*
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,092)	(4,242)*
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(424)	(10,934)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	298	10,607*
4.5	Effect of movement in exchange rates on cash held	203	167
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,784</b>	<b>2,784</b>

\* Opening balances have been restated to align with the treatment under the Australian Accounting Standards as disclosed in the Financial Reports for the periods ended 31 March 2022 and 30 September 2022.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,784	3,799
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,784</b>	<b>3,799</b>

**6. Payments to related parties of the entity and their associates**

- |   | Current quarter<br>\$A'000 |
|---|----------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 33                         |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | -                          |

Note to Item 6.1: The amount of \$33k was payment of Director remuneration for the quarter ended 31 March 2023.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	16,562	15,514
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>16,562</b>	<b>15,514</b>

7.5 **Unused financing facilities available at quarter end** 1,049

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The financing facilities outlined above are as follows:

- Trade Finance facility within the New Zealand Dairy business provided by ANZ Bank for a total of NZD\$3,500,000.
- Overdraft of NZD\$1,000,000 provided by ANZ Bank.
- The interest rate for the trade finance facility in New Zealand and Australia are 2.29% and 5.98% per annum, respectively, on funds drawn.
- Arrowpoint Finance Facility for a total of \$12,350,000 in the parent company at a drawn rate of 9.75% per annum and an expiry date of 31 May 2025.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,092)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,784
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,049
8.4 Total available funding (Item 8.2 + Item 8.3)	3,833
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>3.51</b>

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2023  
.....

Authorised by: Board of Directors  
.....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.