

HALO APPOINTS MODUS PARTNERS TO CONDUCT STRATEGIC REVIEW OF HALO FOOD CO. LIMITED

8 May 2023

Halo Food Co. Limited (ASX:HLF) (“**Halo**” or the “**Company**”) is pleased to announce after an internal review of its operations and extensive consultation, it has appointed Modus Partners (“**Modus**”) to conduct a full strategic review of the divisions and operations of Halo.

Strategic Review

As announced on 30 March 2023, the Board commenced a strategic review into its 100% owned subsidiary The Healthy Mummy (“**THM**”) and has subsequently expanded the review to the full operations and divisions of Halo. As such, Modus is seeking expressions of interest from parties for the Company as a whole or the individual business units of Halo.

As part of the initial strategic review process, the Board has formed an opinion that the value of the underlying businesses units may be worth substantially more than the implied values based on the current listed market value of the Company.

Corporate Advisor Appointment

The Board has appointed corporate advisory firm Modus Partners, with offices in Sydney and Singapore, to conduct an external strategic review, drive value for all stakeholders and to ultimately advise on unlocking shareholder value in the group.

The strategic review will consider all options available, for either individual business units or the Company as a whole, including divestment, other M&A and/or partnership opportunities, in order to maximise shareholder value.



Overview of Business Units

1. Halo Manufacturing

- The profitable, growing and core business within the Halo Group, Halo Manufacturing is one of Australia's premier sports nutrition and protein product developers and contract manufacturers
- The three standalone production facilities include; (i) a powder blending and packing facility with broad product and packing format capability (ii) a long-life UHT ready-to-drink PET bottling facility, and (iii) a protein bars / healthy snacking and confectionary facility
- There are additional blending and warehouse facilities offering the opportunity for ongoing growth and economies of scale within the operations of the Halo Manufacturing unit
- The business services a blue chip, diversified and leading brand customer base across the health and wellness industry
- Substantial upside for further growth and volume throughput in powder blending and the protein bars facility, leveraging existing overhead structures, with additional capacity in both facilities
- Strong utilisation and highly profitable ready-to-drink (UHT) PET bottling facility, with growth capabilities via pricing power and a twenty four hour, 7 day a week operation
- Generated over \$56m¹ in revenue in FY23, recording 31% growth year on year
- Provides a vertically integrated operation for the manufacture of the brands across the Company

2. Brands Division

- Developed and manufactured in house, the division includes the flagship and high growth Tonik brand (protein bars and protein shakes) for the Australian marketplace
- The division recorded strong and growing sales in the last 12 months of \$3.6m, 35% growth over the prior 12 month period

¹ Including intercompany Sales to Brands division and The Healthy Mummy



- The last quarter included the strongest quarter on record for the proprietary protein brand Tonik, with bars and shakes growing by 55% and 35% respectively over the quarter due to growing distribution via leading retail banner groups in major grocery and petrol and convenience across Australia
- Strong pipeline of ongoing distribution and sales due to growing brand awareness, a focussed sales effort, concentrated and lean marketing approach and recent industry awards
- Substantial growth and upside in the next 12 months as distribution and sales continue to grow
- Other brands in the division include Gran's Fudge (manufactured by Halo) with steady and consistent sales into major grocery channels

3. New Zealand Dairy

- One of New Zealand's leading, state-of-the-art powder blending and packaging plants capable of packing formulated dairy based powders across a range of pack formats and sizes
- Facilities are purpose-built and are SQF, BRC and CNCA accredited
- Growing active customer base, including customers in NZ, China and Malaysia
- Highly experienced operational and technical team that can support future growth and drive ongoing production line efficiencies
- Generated over NZ\$13m in revenue in FY23, with a strong and rebounding sales pipeline
- Recent announced win of Fonterra contract for an initial forecast value of NZD\$6.4m over two years with strong potential for growth to commence in the coming months

4. The Healthy Mummy

- A leading Australian digital subscription based app and B2C e-commerce store with a core offering of powdered smoothies, supplements and skincare products and a strong and growing retail presence in Woolworths and other independent and pharmacy channels



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- The brand is a leading player in the mothers focused health and wellness segment with a highly engaged and supported digital community
- THM is an authentic, trusted health and wellness brand with strong end-market resonance
- Approximately 90,000 digital subscribers and almost 2 million social followers, including a 600,000 strong and engaged private Facebook community with an additional 200k Instagram followers
- THM has recently launched The Healthy Mummy products nationally into retail stores via major grocer Woolworths
- Initial retail sales are ahead of forecast (50% of anticipated first year sales have been achieved in 4 months), with strong re-ordering profiles and additional supplements/vitamin products to be ranged in store from late June 2023
- Substantial growth potential to increase high margin, recurring revenue digital subscribers and further build the strong support for retail product sales by leveraging the extensive THM community
- Substantial opportunity for brand and media partnerships to engaged THM digital subscribers and community
- Generated \$14m in revenue in FY23

The Company notes that any transaction which is contemplated further to the strategic review will be subject to shareholder approval to the extent required by the ASX Listing Rules.

Interested parties should contact Rob Antulov at Modus Partners for further information.

Release of this announcement was authorised by the Halo Board of Directors.

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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 brand owner, manufacturer and exporter of formulated health and wellness products. Halo Food Co. is a leading Australian and New Zealand brand owner, 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, 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 for further information.

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