ASX Announcement 31st January 2024

December 2023 – Quarterly Activity Report

The Original Juice Co. Ltd (**Company**) is pleased to update the market on activity levels for the quarter ended 31 December 2023.

Highlights

- **Record Q2 sales with gross sales of $14.1m, an increase of 6% on Q2 December 2022 and sales growth of 14.1% for the first half FY24.**
- **Cash receipts from customers of $10.8m during the quarter and a cash balance of $2.4m as at 31 December 2023.**
- **Capital raise of $5m with strategic investor to support investment in balance sheet and challenges with rising costs coinciding with volume increases.**
- **Ms Kerry Smith joined the board as a Non-Executive Director of the Company effective from 30th November 2023.**

Activities during Q2 of FY24

The Company ended the quarter with a cash balance of $2.4m. Quarterly operating cash outflow for the period was $2.3m. This included a material one-off statutory payment of $1.3m to settle a previous ATO payment plan balance.

Manufacturing and operating expenditure of $8.2m for the quarter was higher than expected, largely due to costs associated with unforeseen fruit shortages. This, in turn, drove the cost of procurement up significantly. At this stage, we don't foresee fruit shortages for Q3 FY24 like those we experienced in Q2 FY24. Higher overall costs were also a reflection of the uplift in sales for the second quarter.

Payments to related parties during the quarter

In accordance with Listing Rule 4.7C.3, and as noted in section 6 of the Appendix 4C Cashflow Statement during the December 2023 quarter, the aggregated number of payments made to related parties and their associates totaled $56k, comprising directors fees.

Q2 – Higher revenue

Strong revenue growth continued in Q2 FY24, with revenue up 6% on the prior comparative period to $14.1m. Our OJC and Juice Lab brands continue to be in demand, but uncontrollable market conditions relating to costs, in particular fruit procurement, hindered the business from further growth in Q2.

Higher costs

Procurement – Growth and profitability were hindered in Q2 due to fruit availability and fruit pricing.

Fruit availability (citrus) – The variation in availability of oranges is due to a worldwide shortage of imports from Brazil, coupled with a lower-than-expected yield of fruit in our domestic market. While OJC doesn't import orange juice, other importers have been forced to seek local alternatives which has placed increased pressure on Australia's domestic supply. Therefore, the lower-than-expected supply of citrus fruit to OJC has impacted the business' ability to fill our supply commitments to retailers. It has also challenged the business from an efficiency point of view, as smaller, inconsistent procurement created manufacturing complexity with shift runs and overtime.

Fruit pricing – Given the imbalance of citrus demand and supply, the market is experiencing significant increases in citrus fruit prices (circa 20%), which is impacting profitability. While OJC is mainly contracted with Valencia orange rates, we have uncontracted exposure to Navel oranges and Concentrates, which support our private label contracts. This has placed a strain on the business' ability to procure and remain profitable without increasing price on our product range. The business was also unable to fulfil its ideal working capital model of holding Navel oranges (due to shortages), which impacted our juice costs and overall supply.

OJC has been working hard to pass through these costs, however, while cost increases are immediate, there remains a time lag in increasing pricing with our customers, coupled with our contracted exposure to private label. Price has been increased on our ranges in December 2023 and January 2024, with further increases expected in Q3. Given the supply and demand issues are market-wide, the business doesn't anticipate any adverse sales impacts at this stage (beyond the non-supply of fruit experienced from October 2023 through to January 2024).

OJC is continuing to adapt its working model to future-proof the business from seasonal pricing variations in citrus. The business continues to diversify its ranging to increase apple and pear variants. We're also aligning with alternative local procurement producers to diversify our potential exposure to suppliers and regions – with further contracting on supply beyond pure Valencia oranges. Pleasingly, our Juice Lab shots range is our fastest growing brand and its exposure to procurement cost increases is minimal.

The $5m investment in Q2 will ensure the business can support its working capital model and seek market synergies to ensure OJC's growth strategy continues to be implemented in Q3 and beyond.

Brand update

Juice Lab range

- Shots remain a market-leading wellness beverage and continue to improve market share with strong growth. Distribution through the major supermarkets continues to rise, as does the volume of unit sales per store.
- New product development in this category also continues, with Kids' immunity Juice Shots now in-store ready for schools to return, along with further ranging and expansion in our functional space.

Original Juice Company range

- The Original Juice Company range continues to trade well. Despite the fruit shortages in Q2, new additional products announced in Q2 centered around apple and pear-based products, including an expansion of the 600ml range, will further support sales growth moving forward.

Private Label and Industrial Sales

- The private label plan was locked-in for FY24, so the company has been working hard with retailers to adjust prices accordingly to help offset extra procurement costs.
- OJC also now supplies 7Eleven with our branded 350ml OJC variants.
- Industrial sales are currently under our FY24 expectations, again due to fruit supply. However, we are expecting industrial sales to pick up in H2 as fruit supply improves.

Export range

- Along with industrial sales, we have paused our export sales while fruit shortages exist. As mentioned previously, moving forward, OJC's export range will be bottled offsite with a third-party bottler, and the company is constantly working to ensure our highest quality standards are met before potential expansion in this area.

The Original Juice Co. Ltd CEO, Steven Cail, commented:

"Q2 FY24 provided the business with additional challenges, particularly regarding the unforeseen impacts on our citrus procurement.

We're pleased that our products remain in high demand, particularly our key brands. But our inability to immediately benefit from passed-through costs hindered our bottom line.

OJC has been accelerating top-line growth and has expanded our brands and private label ranges significantly over the past 12 months. This strategy has placed risk on our working capital and core business model. Therefore, cost increases such as procurement, freight, etc. provide a far greater initial challenge until increased costs can be passed through via price and strategic changes to the business.

As previously mentioned, our innovation and new product development is largely directed at higher margin products, and the growth of our Juice Lab range, along with plans to maximise our fruit by-products, will help combat these pressures in the mid to long term.

Pleasingly, we removed some debt from the balance sheet, given the higher cost of debt, and our strategic capital raise of $5m will be crucial to continuing with our strategy of sustainable growth and market synergies.

As a business, our focus remains on solidifying our future with ongoing growth momentum, while focusing on the bottom line and combating cost pressures."

This announcement was authorised by the Company's Board of Directors.

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About The Original Juice Co. Limited

The Original Juice Co. Limited (ASX: OJC) is an Australian-based food processing company that uses a combination of conventional juice processing equipment and custom-developed equipment and processes to manufacture a range of high-quality juices, fibres, infused fruits and fruit waters that are sold as branded products or ingredients to customers domestically and overseas.

OJC uses a range of processing technologies, including Counter Current Extraction (CCE) technology which was developed in conjunction with Australia's CSIRO to extract juice from fruit and vegetables. Its processing facilities are located in Mill Park, Victoria.

OJC is aiming to generate shareholder value through exploring opportunities for growth in the functional food, beverage and nutraceutical markets in Australian and key international markets, including China.

Appendix 4C

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

Name of entity

The Original Juice Co. Ltd

ABN	**Quarter ended ("current quarter")**
20 150 015 446	31 December 2023

Consolidated statement of cash flows			**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		10,844	21,906
1.2	Payments for			
	(a)	research and development	(208)	(349)
	(b)	product manufacturing and operating costs	(8,243)	(17,738)
	(c)	advertising and marketing	(54)	(142)
	(d)	leased assets	(321)	(607)
	(e)	staff costs	(3,803)	(5,551)
	(f)	administration and corporate costs	(305)	(588)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		13	13
1.5	Interest and other costs of finance paid		(254)	(415)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(2,331)**	**(3,471)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	Entities	-	-
	(b)	Businesses	-	-
	(c)	property, plant and equipment	(427)	(783)
	(d)	investments	-	-
	(e)	intellectual property	(9)	(9)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(436)**	**(792)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,985	4,985
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		
3.5	Proceeds from borrowings	-	1,161
3.6	Repayment of borrowings	(745)	(1,067)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**4,240**	**5,079**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	906	1,563
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,331)	(3,471)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(436)	(792)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,240	5,079
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,379**	**2,379**

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	2,379	906
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,379**	906

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Payment for director fees	(56)
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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	6,705	5,955
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**6,705**	**5,955**

7.5	**Unused financing facilities available at quarter end**	**750**

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.

1. $3.3 m NAB equipment finance loan at a fixed 4.2% interest. The equipment finance loan is secured over all of the company's assets and will be over a 5-year term.

2. $1.0m NAB invoice finance facility at 6.22% interest –is secured over all of the company's assets and reviewed by annually on an ongoing basis; this facility will be used for working capital, and as at 31 December 2023 the company had drawn $250k from total $1.0m available.

3. $2.4m NAB trade facility at 8.27% variable -is secured over all the company's assets and will be reviewed annually on an ongoing basis.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,331)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,379
8.3	Unused finance facilities available at quarter end (item 7.5)	750
8.4	**Total available funding (item 8.2 + item 8.3)**	**3,129**
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**1.34**

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:

8.6.1 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: The expectation moving into Q3 FY24 is that operating cash position will significantly improve. In Q2 the business has utilised a portion of its recent $5m capital raise to settle pre-existing balance sheet liabilities of $1.3m, including statutory payments previously deferred via agreed payment plans. This payment is a material one-off non-recurring payment.

Along with the one-off balance sheet payments, the company expects to realise trade commercial initiatives implemented in Q2 FY24. These commercial initiatives include changes to price with retailers, to support the increasing costs of procurement driven by a global shortage of juicing oranges. The business is also well progressed in securing strategic partnerships with suppliers and other juice processors, to reduce ongoing costs into the second half of FY24.

8.6.2 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: At this point the company does not believe it is necessary to raise further cash to fund its operations, as noted in 8.6.1 the business expects to be operating cashflow positive in Q3 FY24 and beyond.

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

Answer: Yes, the business believe it is able to continue its operations and meet its business objectives utilising inventory investments and higher sales growth throughout the remaining financial year.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: [31 January 2024]

Authorised by: The Board
(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.