

KEYTONE TO ACQUIRE SUPER CUBES

ASX Announcement – 18 September 2019

Keytone Dairy Corporation Ltd (ASX:KTD) (“Keytone” or the “Company”) is pleased to announce that it has today executed a binding agreement (“Agreement”) for the strategic acquisition of the assets, brands and business of 40Forty Foods Pty Limited, trading under the Super Cubes brand (“Super Cubes”), for \$726,000 plus an earn-out subject to performance milestones (the “Acquisition”).

Highlights

- Keytone to acquire 100% of Super Cubes, subject to satisfaction of conditions precedent
- Super Cubes is a premium Australian consumer lifestyle health and wellness brand - the first of its kind in the marketplace
- Super Cubes has a strong core product range and a growing national distribution network, including national ranging in Woolworths, 400 independent supermarkets, and an increasing online presence with over 15,000 unique visits to the Super Cubes website per month
- In FY19, Super Cubes first full 12 months of trading, the business realised sales of approximately \$650,000, with significant distribution and sales only achieved in the last quarter of FY19
- Purchase price of \$120,000 cash, settlement of \$463,000 of Super Cubes existing debt, deferred cash payment of \$143,000 payable over 2 years plus the issue of performance shares convertible into Keytone shares dependent on substantial increases in Super Cubes performance over the next three years
- Transaction acquisition multiple of 1.4x FY21F EBITDA¹
- The strategic Acquisition accelerates Keytone’s growth into high value, high margin proprietary products
- Super Cubes products hold a 5-star health rating and have a unique and innovative product pipeline
- Keytone will fund the Acquisition via existing cash reserves and the issuance of equity with no capital raise required
- Completion is expected to occur in the short term, subject to satisfaction of conditions precedent

Following the signing of the Agreement with Super Cubes, Keytone’s Chairman, Peter James, commented “The acquisition of Super Cubes demonstrates swift and clear execution of the branded product growth strategy following the acquisition of Omniblend. Super Cubes is a growing brand in the health and wellness sector with impeccable health credentials and a growing distribution footprint. It is well positioned for rapid growth domestically and internationally, given its first-class product portfolio, existing penetration in distribution channels and senior executive talent.”

“The Acquisition offers a number of synergistic benefits, not least of which is the effective overnight implementation of a senior branded sales team to drive sales in both the Super Cubes product portfolio as well as other Omniblend branded products, including the Tonik range.”

Keytone’s Chief Executive Officer, Danny Rotman, stated “Super Cubes is an exceptionally attractive acquisition for Keytone. The brand is a fast growing, highly appealing range of products for the health conscious, time-poor, consumer.”

“The acquisition fast tracks the strategic priority and development of the Omniblend branded product portfolio through the on-boarding of the Super Cubes executive team, matching their skills and depth of experience in

¹ Assumes conversion of the performance shares at the closing share price of 17 September 2019

brand development and sales, with Omniblend’s leading in-house product development expertise.”

“Further, Keytone will be able to leverage its existing distribution channels in core markets, including China, to grow the Super Cubes brand internationally executing on the early-mover advantage in the health and wellness sector globally.”

“We are excited to welcome Ash McMillan to the team. Ash has a long and successful track record in developing and growing strong brands in the health and wellness sector. We look forward to further updating the market on the successes of the combined businesses.”

Acquisition Details

Keytone has today executed the Agreement to acquire 100% of Super Cubes.

Super Cubes, founded in 2018, is an Australian consumer lifestyle health and wellness brand, the first of its kind in the marketplace. The first and flagship product range is nourishing, all natural, frozen cubes of fruits, vegetables, plant-based protein and highly nutritious ingredients for a nutrient enriched smoothie across multiple product SKUs. There is a full pipeline of new product development, including the “permissible indulgence” range of Super Cubes smoothies, Super Tubes Icy Poles and Super Cubes Wholefoods Bars. These new products are being



dispatched to stores throughout October 2019 and are expected to provide significant upside to the performance of the Super Cubes business moving forward. In addition, the Super Cubes team has a developed pipeline of innovative new products expected to be commercialised over the short to medium term.

Ash McMillan, the founder of Super Cubes, has over 12 years’ experience in developing and significantly scaling proprietary product portfolios in the health and wellness sector to become leading brands in the Australian marketplace. Ash leads a team of senior sales and branded executives, who have driven Super Cubes product penetration into Woolworths nationally, 400 independent groceries across Australia and developed a proprietary website with more than 15,000 unique visits per month.

Super Cubes commenced trading in the last months of FY18 (30 June year-end). In FY19, the first full 12 months of trading, Super Cubes realised sales of \$650,000, with major growth in distribution channels, including Woolworths ranging, occurring in the last quarter of the FY19 year. In the two months to date in the FY20 year, Super Cubes has achieved 40% of FY19’s full year result.

Upon completion, Keytone will pay 40Forty Foods Pty Limited, the owner of Super Cubes, an upfront consideration of \$120,000 in cash, repayment of \$463,000 debt, and deferred cash consideration of \$143,000 payable over 2 years. Additionally, Keytone will issue shares under an earnout, where Super Cubes achieves certain strategic and financial milestones. Specifically, they will receive performance shares which will convert to:

- Up to 650,000 Keytone shares where Super Cubes achieves national ranging of Super Cubes products in



identified distribution channels by March 2020 - 500,000 shares in Keytone (subject to a 2 year escrow) and an additional 150,000 shares (no escrow) at the end of the financial year in which the ranging is achieved;

- Up to 2,200,000 Keytone shares where Super Cubes achieves \$20.0 m of sales by March 2021 - 2,000,000 shares in Keytone (subject to a 2-year escrow) and an additional 200,000 shares (no escrow). Where sales of greater than \$15.0 m and less than \$20.0 m are achieved in such period, 750,000 Keytone shares (subject to 2-year escrow) and an additional 100,000 shares issued (no escrow) to be issued on the same terms
- Up to 3,300,000 Keytone shares where Super Cubes achieves \$35.0 m of sales and \$5.0m EBITDA in Omni Brands by March 2022 - 3,300,000 shares in Keytone (subject to a 2-year escrow). Where sales in Super Cubes of greater than \$27.5m and less than \$35.0 m are achieved and EBITDA of more than \$4.0m in Omni Brands is achieved in such period, 1,500,000 shares in Keytone (subject to a 2-year escrow) to be issued on the same terms.

Completion of the Acquisition under the Agreement is conditional upon the satisfaction of the following conditions precedent (among others):

- Completion of full due diligence by Keytone on the assets, the business and the shareholders of 40Forty Foods Pty Limited to the satisfaction of Keytone;
- Approval from ASX in respect of the proposed structure and terms of the performance shares to be issued;
- Assignment of all material contracts pertaining to the business to Keytone;
- Keytone entering into executive services agreements with each of the key employees of Super Cubes including Ashley McMillan;
- The parties entering into a formal Asset Purchase Agreement; and
- The parties obtaining all necessary ASX, shareholder, board, regulatory or third-party consents and/or approvals required to complete the transactions contemplated by the Agreement and Asset Purchase Agreement.



Strategic Rationale

The Board and Keytone executive team believe the acquisition of Super Cubes is highly strategic with strong financial rationale and in-line with the Company's stated growth strategy. Further it substantially fast-tracks the Company's key strategic priority of developing its own high value, high margin proprietary product suite.

The key strategic highlights include:

✓ Health Halo Brand

- Strong, fast-growing health and wellness brand
- Ability to leverage unique product offering into international markets, including South-East Asia and China
- Uncompromising first-class health credentials and ingredients, including 5-star health rating

✓ Established Distribution Channels

- Three established channels to market, including:
 1. Independent Grocery – ranged in 400 independent groceries nationally
 2. Major Grocery – national ranging in Woolworths
 3. Super Cubes website – 15,000 unique visits to the website per month and growing
- Existing strategic channels grow brand equity and brand awareness whilst simultaneously driving social media following
- New distribution channels and ranging targeted over short to medium term:
 1. Petrol & Convenience – range review meetings scheduled for Q4 2019 calendar year
 2. Pharmacy – range reviews meetings scheduled for Q4 2019 calendar year
- Ability to leverage Keytone's existing distribution channels for growth in core markets, including China

✓ Innovative Product Range

- Core Super Cubes smoothies range established and growing
- Introduction of 'permissible indulgence' smoothie range being rolled out nationally
- Innovative Super Tubes (Icy Poles) and Super Cubes Wholefoods Bars range being rolled out to existing distribution channels through Q4 2019 calendar year providing significant growth and upside
- Innovative new product pipeline to be commercialised through 2020 and beyond

✓ Expertise

- Ashley McMillan has more than 12 years' experience in significantly growing branded products in the health and wellness sector
- Proven sales capability and track record with established brand and national distribution expertise
- Highly complementary team to drive Keytone's strategic priority of growing higher value, higher margin proprietary product suite

✓ Manufacturing Upside

- Omniblend will bring the manufacture of certain Super Cubes product lines in-house over time, providing additional margin accretion in the medium term





Super Cubes Wholefoods Bars are to be rolled out through Q4 2019 calendar year

Funding

The transaction is to be funded via existing cash reserves and equity, with no debt funding. Future milestone shares are to be issued under the Company's placement capacity.

Create natural and delicious smoothies in less than 30 seconds



STEP 1
Choose your flavour



STEP 2
Choose your size
Medium: 2 cubes
large: 3 cubes



STEP 3
Choose your mixer
Coconut water, coconut milk
or almond milk



STEP 4
Now you've done that,
just blend and serve!
Ready in 30 seconds

* * * * *



For Further Information

Jourdan Thompson
Chief Financial Officer, Keytone Dairy Corporation Limited
Email: investors@keytonedairy.com
Tel: +612 9969 9690

About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Ltd is an established manufacturer and exporter of formulated dairy products and health and wellness products. Keytone Dairy's wholly owned subsidiary Omniblend is a leading Australian product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink health and wellness based product capability. In addition to Keytone Dairy'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.keytonedairy.com for further information.

About Super Cubes

Based in Sydney, Australia, Super Cubes is a consumer lifestyle brand offering a range of convenient frozen fruits, vegetables plant-based proteins and highly nutritious ingredients that provide beneficial effects on the body and immune system. Super Cubes was founded out of a simple desire to create a consumer product with uncompromising health credentials that support busy and demanding lives, making it simple and easy to choose the healthy options. Their products contain no added sugar or preservatives and are blast frozen in the factory to seal in as many quality vitamins and minerals as possible. Please visit www.supercubes.com.au for further information.



WHAT SETS US APART
It's genuinely all natural

- ALL NATURAL INGREDIENTS
- NO ADDED SUGAR
- DAIRY FREE
- NO PRESERVATIVE
- PLANT BASED PROTEINS
- FODMAP ACCREDITATION
- BC30 GANEDEN PROBIOTICS

The advertisement features a hand holding a glass of smoothie, surrounded by various fruits and a box of Super Cubes berry digest smoothie. The box includes the following text: 'SUPER CUBES[®] berry digest smoothie', 'NUTRIENT SMOOTHIE CUBES READY IN 30 SECONDS', 'A 100g cube blends with fresh ingredients, low and gentle churning in a high speed blender to deliver the smoothie. The mix has been tested to have minimal phytonutrient, antioxidant and essential amino acid loss.', '4 cubes / 270g', and 'made in Australia'.

ENDS

