



## Q2 FY21 Quarterly Activities Report and Appendix 4C Cash Flow Statement

### FASTEST GROWING BRANDED MACADAMIA IN USA WITH FOCUS ON HEALTH AND PLANT PROTEIN CATEGORIES

- Fastest growing macadamia brands in the category and contributing to category growth<sup>1</sup>
- Material reduction of debt by \$7.7 million (\$5 million convertible notes and \$2.7 million Greensill debt)
- Increased industrial sales to convert under-utilised kernels in retail products to cash
- Orchard production remains on target with further improved kernel recovery rate
- Completion of rebranding to Health and Plant Protein Group Limited

Brisbane, 29 January 2021: Health and Plant Protein Group Limited (ASX:HPP) (**Company**) presents its Activities Report and Appendix 4C for the quarter ended 31 December 2020.

HPP Executive Director Dennis Lin said “We continue to navigate through volatile trading conditions with agility. This is particularly evident through our ability to grow the overall macadamia category in the USA, despite material declined sales of our industry peers. We attribute that growth against trend to our ability to identify granular areas of opportunity through channel mix, consumer engagement and product innovation.

Within a short timeframe, the Company has completed its corporate function improvements, and the platform is ready to execute its vision of becoming a dominant player in its chosen health and plant protein categories.”

#### Business Overview

The Company achieved a sales growth rate of 15.7% over 13 weeks ending 26 December 2020.<sup>1</sup> During the key campaign periods of Black Friday, Cyber Monday and the subsequent festive season (Thanksgiving and Christmas), the Company intensified its digital campaign by targeting key demographic areas with health conscious consumers, and offered omni-channel opportunities to experience, in particular, its Royal Hawaiian Orchards® products. Combined with consumers interest to engage digitally during lock-downs and travel restrictions, the campaign achieved brand awareness as well as underlying sales growth in particular geographical regions within the USA. The data from the campaign also facilitates future campaigns to further drive brand awareness and sales growth with sharper focus.

In addition, the Company was also able to sell under-utilised inventory to an existing customer for use in its private label products. This allows the Company to convert excess inventory to cash and is approximately US\$5 million in value. The first delivery took place in December, and the order will be fulfilled by March 2021.

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<sup>1</sup> AC Nielsen period ending 26 December 2020 (52 weeks, 13 weeks and 4 weeks)



Following nut cracking, macadamia kernel is graded, amongst others, according to size (whole, halves, diced, others). The Company continues to drive highest and best use of inventory through product innovation and intends to collaborate with supply chain partners in doing so. Following the significant industrial order, the Company has recruited a senior sales personnel to focus on industrial and private label opportunities, which will also further shorten the cash conversion cycle from production to cash.

The growing and harvesting conditions remain favourable. During the quarter, the Company continued to purchase kernels from independent growers, including organic kernels. The purchase from independent growers has now completed, and the factory has seen an improved kernel recovery rate which will further assist with reducing the cost of production.

The Company has incurred costs in upgrading corporate reporting and management platforms. At the same time, these are expected to position the Company as a platform to be a player in health and plant protein categories in USA, Australia and Asian regions.

During the period, the Company completed a \$6.2 million capital raise at \$0.17, comprising a \$2.2 million placement and \$4 million rights issue. Together with proceeds from the sale of Ginger division, the Company has been able to reduce debt by \$7.7 million during the quarter, with \$10 million in cash reserves.

### **Strategy Update**

During the Annual General Meeting, the Company announced it is conducting a strategic review of the Kapua Orchard. On 11 January 2021, the Company announced its co-investment in EVR Foods, Inc. (holding entity of the LAVVA® brand and its associated assets) with S2G Ventures.

This announcement has been authorised for release to the ASX by the Board.

**END**

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### **About HPP**

HPP, through its Royal Hawaiian Orchards® (RHO) and MacFarms® brands, is the largest vertically integrated orchard to retail macadamia nut processor and marketer in the USA. Macadamia nut contains rich nutrients and beneficial plant compounds, and HPP makes its products from wholesome and unmodified ingredients. The macadamia business forms the basis of HPP's strategic ambitions in becoming a leading independent participant in health and plant based protein food categories.

## Appendix 4C

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

**Name of entity**

HEALTH AND PLANT PROTEIN GROUP LIMITED (ASX: HPP)

**ABN**

68 010 978 800

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

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,610	23,756
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,733)	(17,062)
(c) advertising and marketing	(790)	(1,277)
(d) leased assets	(62)	(221)
(e) staff costs	(3,603)	(7,983)
(f) administration and corporate costs	(1,179)	(2,614)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(287)	(469)
1.6 Income taxes paid	3	(15)
1.7 Government grants and tax incentives	320	1,258
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,720)</b>	<b>(4,626)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(234)	(466)
(d) investments	-	-
(e) intellectual property	(6)	(6)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	10,866
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(240)</b>	<b>10,394</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,111	6,111
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	(295)	(295)
3.5	Proceeds from borrowings	7,182	17,516
3.6	Repayment of borrowings	(9,791)	(16,393)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of Convertible Note)	(5,002)	(5,002)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,795)</b>	<b>1,937</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	14,919	2,543
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,720)	(4,626)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(240)	10,394

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,795)	1,937
4.5	Effect of movement in exchange rates on cash held	(136)	(220)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,028</b>	<b>10,028</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	10,028	14,919
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>10,028</b>	<b>14,919</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	47
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Payments for salaries to Directors</p>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1 Loan facilities	18,739	10,797
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	1,865	1,865
<b>7.4 Total financing facilities</b>	<b>20,604</b>	<b>12,662</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>7,942</b>
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.		
<p><b>Note 7.1</b> Greensill Capital UK – An uncommitted secured revolving short-term working capital facility. Facility limit \$25m maximum with a current borrowing base rate as at 31 December 2020 of \$18.7m. Interest rate as at 31 December 2020: *8.57% AUD funding *8.74% USD funding</p> <p><b>Note 7.3</b> *John Deere Financial – Secured equipment finance. 0% interest over 60 months, maturity date 30 October 2024.  *Premium Funding – An unsecured loan arrangement for FY20/FY21 Insurance policies. Interest AU 1.99% AUD USD 3.791% repayment over 10 instalments.  *Paycheck Protection Program (PPP) – Unsecured US Government loan. 0% interest rate as at 31 December 2020.</p>		

<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)	(2,720)
8.2 Cash and cash equivalents at quarter end (item 4.6)	10,028
8.3 Unused finance facilities available at quarter end (item 7.5)	7,942
8.4 Total available funding (item 8.2 + item 8.3)	<b>17,970</b>
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>7</b>
<i>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.</i>	

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: N/A

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: N/A

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: N/A

*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: 29 January 2021

Authorised by: 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.