

KEYTONE DAIRY FULL YEAR FINANCIAL RESULTS

Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Ltd (ASX:KTD) (“Keytone” or the “Company”), reports its audited full year accounts for the 12 months ending 31 March 2020 (“FY20”). FY20 was a record and transformational year for Keytone Dairy delivering significant sales growth and a diversified manufacturing base across five sites in Australia and New Zealand in the health and wellness market, with core pillars in functional dairy, health and wellness powders and ready to drink products and a robust contract manufacturing business for third party private label clients.

FY20 Highlights

- Keytone successfully completes construction of its state-of-the-art second manufacturing facility in New Zealand, with the first commercial run undertaken in late FY20
- Keytone successfully completes and integrates the transformational and strategic acquisition of Omniblend, a leading Australian product developer and contract manufacturer of health and wellness powdered and UHT ready-to-drink products
- Successful completion of the acquisition of the assets of Super Cubes, a fast growing Australian consumer health and wellness brand, resulting in a significant enhancement of the distribution footprint and channels of the Company, whilst executing on Keytone’s strategic proprietary product strategy of higher value, higher margin products
- Total sales for the year ended 31 March 2020 of \$A22.53 million compared with \$A2.51 million in the prior corresponding period ending 31 March 2019
- Significant sales growth in the New Zealand business resulting in total sales of \$A5.03m in FY20 compared with \$A2.51m in FY19, growth of 100% during the 12 month period, including 21% growth of proprietary products, notwithstanding the second facility was under construction through the period
- Consolidated accounts incorporate only eight months of the performance of Omniblend and five months of Super Cubes
- Significant new clients added to the Company’s client portfolio, including Sam’s Club in China (Walmart China) Nouriz (China) and other leading international health & wellness brands, in addition to the significant client base of Omniblend
- Super Cubes has recorded strong month-on-month sales growth since acquisition in mid-October 2019
- Full year statutory loss of \$A7.45 million, including a large proportion of one-off non-recurring acquisition costs, advisory expenses, integration expenses in the Australian business and non-cash expenses related to option grants and depreciation
- Strong closing balance sheet, cash balance of \$A4.4 million at 31 March 2020 and a well-supported capital raise of \$12.5m to institutional and sophisticated investors completed in May 2020 with scale backs applied, shortly after the FY20 year-end further strengthening the Company’s balance sheet

Releasing the full year financial results to the market, Peter James, Keytone Dairy's Chairman stated:

"FY20 has been a tremendously successful year for Keytone Dairy. The Company has aggressively pursued its diversification strategy in the health and wellness space whilst continuing to grow its core dairy powder business. Keytone has substantially grown its sales revenue, future earnings base, client portfolio and management capability through the last 12 months. The sales growth across the business has been impressive and the execution of the proprietary product portfolio is continuing to gain traction across an ever-growing distribution footprint. Notwithstanding the challenges faced by the global pandemic of COVID-19, the foundations for the Company are now in place and the group is both well capitalised and well-resourced to significantly accelerate and deliver value for customers and shareholders in FY21."

Keytone Dairy's CEO Danny Rotman commented: "Keytone Dairy has had a transformational and record year through FY20. The Company's sales revenue has grown significantly through the period across all divisions and the strategy of pivoting to higher value, higher margin proprietary products is continuing to gain traction and growing month-on-month. Equally the client base of the contract manufacturing private label business has continued to expand and attract global household brand names both domestically and internationally."

"With the completion of the second formulated dairy-powdered manufacturing facility in New Zealand, the acquisition and successful integration of Omniblend, Super Cubes and post year-end acquisition of the protein bar line assets in Sydney, Keytone is incredibly well positioned to grow substantially through FY21 and continue to capitalise on growing dairy and health and wellness trends for both its own higher value, higher margin products as well as third party private label client products."

"The diversified manufacturing base of the Company across Australia and New Zealand, the calibre of own proprietary products and third party private label client base in addition to the increasing distribution footprint across multiple channels, validating the credentials of Keytone and its products, will continue to build on the success of FY20 and enhance the performance through FY21 and beyond."

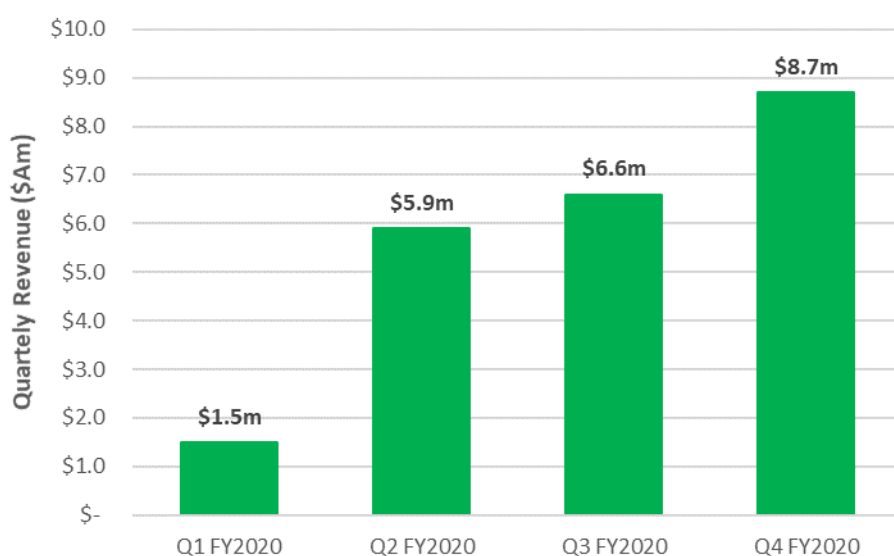


Keytone's second state-of-the-art facility in Christchurch, New Zealand



Financial Performance

The FY20 year has recorded another phase of rapid expansion, significant growth and investment in a diversified platform across Australia and New Zealand for the which the business is now well capitalised and positioned. The Company has transformed and grown its operations to magnitudes larger than the FY19 year and has six manufacturing sites, offering operational flexibility and leverage, including its new and second manufacturing facility in New Zealand. Furthermore, Keytone has continued to expand its distribution footprint, both domestically and internationally, validating its proprietary products. As a result of this significant capability enhancement, the consolidation and integration of the transformational acquisitions undertaken and investment in the future capacity of the Company, the financial results of the Company are reflective of the activities undertaken in the year ending 31 March 2020.



Keytone Dairy's Group Quarterly Revenue Growth through FY20

Notwithstanding the second manufacturing plant in New Zealand undertook its first commercial run in the final weeks of FY20, the New Zealand business doubled its sale revenue from the existing capacity and materially grew its proportion of revenue from the sale of proprietary products compared with FY19. Additionally, the acquisitions of Omniblend and Super Cubes contributed 8 months and 5 months respectively of financial performance to the consolidated results of Keytone.

Major capex initiatives in FY20 have been largely completed, including the completion of the second state-of-the-art manufacturing facility and the integration of Omniblend's two principal powder packing facilities into one large-scale nutritional powder packing site with nine accredited packing rooms, including dairy-free and gluten free rooms, in addition to an in-house new product development laboratory. The reshaping of the Company's operational footprint is expected to deliver benefits of scale, operational efficiencies and synergies moving forward.

The financial highlights for FY20 include:

- Total sales revenue up 799% to \$A22.53 million for the full year ended 31 March 2020 compared with \$A2.51 million in the corresponding prior financial year to 31 March 2019
- Quarter-on-quarter sales growth, with the final quarter sales of \$A8.7 million representing 39% of the full year result for FY20 and a strong run rate leading into the new financial year,



FY21

- Total sales in New Zealand of \$A5.03m for the full year ended 31 March 2020 compared with \$A2.51m in FY19, growth of 100% during the 12-month period
- Proprietary product growth in New Zealand KeyDairy brands of 21% through the FY20 period compared with FY19, notwithstanding the second facility was under construction through the period
- Continued growth realised in the Asia and China business, with substantial new clients signed through the FY19 year including Walmart China and Nouriz, with repeat and large orders received
- Cash receipts from customers increased through the FY20 year to \$A24.68 million compared with A\$2.86 million in FY19
- Full year statutory loss of \$A7.45 million, including a large proportion of one-off non-recurring acquisition costs, advisory expenses, integration expenses including redundancies due to operational efficiencies in the Australian business and non-cash expenses related to performance shares and option grants (share-based payments expense) and depreciation
- One off non-recurring cash-based expenses relating to acquisitions, integration costs and operational efficiencies of \$2.4million, and a further \$2.5 million of non-cash expenses, being depreciation and share-based payments expense
- As at 31 March 2020, Keytone Dairy had a cash balance of A\$4.4 million as outlined in the Annual Report. Subsequent to year-end Keytone undertook a successful \$12.5 million placement to institutions and sophisticated investors, with scale backs applied, to further strengthen the balance sheet

The release of this announcement, Appendix 4E and Annual Report has been authorised by the Board.

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Further Information

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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, ready to drink and protein bar 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.

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