

ASX Announcement

Maggie Beer Holdings Limited (ASX:MBH)

24 August 2022

Maggie Beer Holdings Full Year Results

Maggie Beer Holdings Ltd (**MBH** or the **Company**) is pleased to announce its results for the year ending 30 June 2022 (**FY22**), a year that saw it deliver operational and financial results that demonstrate the strength of its core premium food and gifting brands – Maggie Beer Products and Hampers & Gifts Australia.

The Group achieved results at the upper end of its earnings guidance (Continuing and Discontinued Operations) with \$98.3 million in net sales and \$10.3 million in trading EBITDA, compared to its guidance of \$95-\$100 million revenue and its revised guidance of \$9.25-\$10.5 million in trading EBITDA¹.

Key FY22 highlights (vs FY21)²

- Trading EBITDA up 397% to \$11.3 million
- NPAT from continuing operations up 167% to \$7.5 million
- Strong Balance Sheet with positive operating cashflow, \$10.8 million cash and no debt³
- Continuing Operations net sales of \$75.2 million, up 22% (on a proforma basis⁴), with e-commerce sales up 32% to \$49.8 million.
- Gross profit margin was 53%, up 5.7 percentage points
- Proposing a 1.0c per share Return of Capital in lieu of a FY22 dividend subject to shareholder approval at the Company's 2022 AGM
- Strategic decision to focus on Maggie Beer Products and Hampers & Gifts Australia (**Continuing Operations**) that are delivering above average investment returns
 - Dairy assets – Paris Creek Farms and St David Dairy (**Discontinued Operations**) are in the process of being divested. The MBH Board has approved a \$17.5 million non-cash write down and impairment of its Dairy Assets in FY22 based on the range of offers received for them. This resulted in an overall loss from Discontinued Operations of \$19.8 million and a Group statutory loss of \$12.3 million

¹ The accompanying ASX released Annual Report contains a reconciliation of trading EBITDA

² Financial highlights presented on a Continuing Operations basis, unless stated otherwise

³ Only asset backed leases/debt

⁴ Pro forma results include unaudited HGA results prior to the acquisition on 21 May 2021

⁵ Includes intercompany sales of \$1.1 million

Commenting on the Company's performance, CEO & Managing Director Chantale Millard said:

"Despite the challenging operating conditions that all businesses have had to navigate over the past 12 months, Maggie Beer Holdings was able to achieve results at the upper end of its revised trading EBITDA guidance, with earnings of \$10.3 million, and be within its revenue guidance of \$95-\$100 million with net sales of \$98.3 million.

"Our Continuing Operations achieved 22% net sales growth in FY22⁴, with a healthy 53% gross margin. Trading EBITDA increased to \$11.3 million and NPAT from Continuing Operations was up 167% to \$7.5 million.

"The successful integration of Hampers & Gifts Australia is realising substantial benefits, as Maggie Beer Holdings successfully transitions to a diversified portfolio with 66% of revenue now coming from e-commerce and the remaining 34% from the retail grocery channel. The Hampers & Gifts Australia acquisition, integration and synergies have exceeded our expectations and we have an attractive scalable platform for future growth."

"Given the strong growth being achieved in e-commerce, coupled with the synergies and opportunities available for Maggie Beer Products and Hampers & Gifts Australia, we made the difficult but important decision to commence a process to divest the Group's legacy Dairy Assets of Paris Creek Farms and St David Dairy. We are sensitively undertaking the sale process to ensure our people and our customers of these businesses are not disadvantaged, and the businesses have the opportunity to thrive and return to growth under potential new owners."

Optimising our business model to a higher margin e-commerce sales model

MBH has substantially transformed its business to now have the majority of its revenue and gross margin coming from the higher margin e-commerce channel. E-commerce sales now comprise 66% of total net sales in FY22 (FY21: 14%) and 76% of gross margin (FY21: 21%).

MBH's e-commerce sales continued to grow strongly, up 32% overall⁴, with MBP's online sales increasing by 156% to \$4.5 million, demonstrating the successful integration and impact of HGA. HGA delivered strong net sales growth of 26% in FY22 compared to FY21 on a pro forma basis⁴. HGA's main website the Hamper Emporium increased its website visits by 26% and its number of repeat customers by 67%.

Gross Profit for our e-commerce businesses remained strong at 56.8% (FY21: 58.2%), but was impacted by \$1.2 million of higher import costs as a result of container shortages, increased demand and COVID-19 factors.

MBH now has an engaged digital audience of more than 900k consumers and HGA has a Net Promoter Score (NPS) of 74, which combined with its range of new innovative products and hampers, has positioned its e-commerce businesses for sustained growth in FY23 and beyond.

Grocery sales growth underpinned by new products and increased ranging

In a challenging retail marketplace, MBP's retail grocery sales were up 11.2% to \$26.6 million⁵, the result of the successful launch of new products and increased ranging. The gross profit margin of 43.7% (FY21: 45.1%) reflected the product mix, with sales growth coming from lower margin 3rd party produced products, including cooking stocks and bone broths. The cooking stocks and bone broths ranges were the highest selling category, growing 85% to \$5.6 million in sales in FY22.

Price increases successfully implemented

To mitigate the impact of inflation, price increases were successfully implemented across the Group, and while e-commerce benefits are immediate, the full benefits of grocery retail price increases will be realised in FY23. The Company continues to monitor for further inflationary cost pressures, and new price increases will be considered if required. Import costs and fuel/transport costs are expected to return to more normal levels once global impacts subside.

Strong balance sheet supports growth initiatives

MBH is a capital light business, and had \$10.8 million cash at 30 June 2022. Except for lease liabilities, the Group has no debt³. Inventory of \$15.8 million reflects our tactical decision to build inventory earlier than in FY21, to avoid supply chain delays prior to the busy Christmas trading season. The higher level of inventory is expected to unwind and convert into cash in the second quarter of FY23.

As announced in May 2022, the MBH Board intends to commence paying dividends. However, due to the loss on the Company's Dairy Assets in FY22, the Board is proposing a 1.0 cent per share Return of Capital in lieu of a dividend for FY22.

MBH has \$7.6 million in franking credits to support a future fully franked dividend program.

Reflecting on MBH's strong position to continue its growth trajectory, Ms Millard said:

"With our focus now on our highly scalable premium branded core assets, we are well positioned to grow in FY23 and beyond. With 66% of our revenues coming from the higher margin e-commerce channel, we have successfully de-risked our portfolio and go-to-market channels and built a platform for sustained future growth. In light of this, we expect our gross margin to be maintained above 50% for our Continuing Operations.

"Over the next 12 months we are keenly focused on expanding the ranging of core and new products to underpin the growth of Maggie Beer Products and Hampers & Gifts Australia. We intend to leverage our strong brands to reduce customer acquisition costs and to drive our e-commerce Net Promoter Score and repeat customer rate. We hope to finalise the sale of our dairy assets in the near term.

"Maggie Beer Holdings is now a focused, fast growing, profitable, premium branded food and gifting business with exciting growth prospects. We look forward to delivering on this potential for our team, customers and shareholders."

Investor briefing being held today at 11.00 am AEST

A briefing for analysts and investors will be hosted by CEO & Managing Director Chantale Millard, and Group CFO Eddie Woods.

Details of the call are as follows:

<https://us06web.zoom.us/j/86555810380?pwd=OEVJamtNdjNXSkVnbEJRa1E4OXk1Zz09>

Meeting ID: 865 5581 0380

Passcode: 113016

One tap mobile

+61280156011,,86555810380# Australia

+61370182005,,86555810380# Australia

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Authorised for release by the Board

For enquiries please contact:

Chantale Millard, Managing Director and Chief Executive Officer +61 407 826 952