



ASX ANNOUNCEMENT ASX Code BUG

Buderim Group receives bid for the Ginger Division

15 June 2020

Buderim Group Limited (Company) announces that it has received an indicative, non-binding offer from Global Foods Group Pty Ltd (**Global Foods**) to acquire Company's combined ginger and tourism business assets (**Ginger Division**) for \$8.3 million gross value (**Proposed Transaction**).

The Ginger Division assets include:

- The Ginger Factory – the Company's tourist attraction and facility at Yandina, Queensland - including all land, plant and equipment, and related operating assets;
- the brands (including 'Buderim Ginger' and 'The Ginger Factory'), goodwill and intellectual property used in the ginger and tourism businesses; and
- subsidiaries Frespac Ginger (Fiji) Pte Ltd (which conducts the business and activities in Fiji) and Ginger Head Quarters Pty Ltd.

Strategic Rationale

The Company's strategic focus is on consolidating the group's global leadership position in food markets in which it chooses to operate, and new markets where there is strong consumer demand. These markets currently include the confectionery ginger, premium macadamias, branded specialty food products and agri-tourism in support of these markets.

The Company announced in 2018 that it would conduct a strategic review of its Ginger Division.

The purpose of the strategic review was to identify growth opportunities in the ginger business (particularly for ginger products), the cost of pursuing those opportunities (including capital expenditure requirements) and whether there were potential alternatives to that use of capital that could better enhance shareholder value. The review also considered an orderly realisation of the Ginger Division assets.

As part of the strategic review, the Company engaged confidentially with a number of interested parties over the last 12 months.

Based on the market feedback, the Company has decided to engage with Global Foods on a non-exclusive basis and to provide due diligence access and commence negotiations of definitive legal agreements to implement the Proposed Transaction, subject to receipt of a superior proposal.

Announcing the Proposed Transaction, Chairman Guy Cowan said: "The Ginger Division has been the origin and heritage of the Company and while over the last three years the Board has worked together with management to return the Ginger Division to profitability, we believe that by separating the Macadamia and Ginger businesses there is a better future for both organisations.



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“During its next phase of growth, the Ginger Division will require significant capital investments to continue its proud and long history.

“At the same time, following the strategic review, the Board believes that the Company's macadamia business has an opportunity to become a dominant brand on a global scale. Achieving this will require much focus and we believe this proposal is in the best interest of all shareholders.

“Focusing investment in the Company's macadamia business is more likely to produce higher returns than a comparable investment in the Ginger Division. Accordingly, while the Ginger Division has returned to profitability, there are few synergies with the macadamia business. Ginger's future growth and pathway to improved returns lie therefore with an owner that can provide the investment to make it happen.

“We are therefore pleased to have received an attractive offer for the ginger business from Global Foods. Mr George Vasili, the principal shareholder of Global Foods, is a long-term supporter of the Company, and has a relevant interest of 15.86 percent in the Company's share capital.

“Following the Proposed Transaction, George has indicated to us that he intends to invest materially in the Ginger business in its new form as a privately-run business, to grow and expand that business with a view to ensuring its longevity well into the future,” said Mr. Cowan.

George Vasili, Executive Chairman of Global Foods, said “As a long-term substantial shareholder in the Buderim Group, I support the proposed new direction contemplated by the Board and I intend to remain a shareholder in the Buderim Group.

“Global Foods is a successful Australian family owned and operated food importing and processing business that has great synergy with the Ginger Division. We are in a unique position to invest the required capital and expertise to enable the Ginger Division to continue into the future and for the Company to profitably grow with a renewed focus on the macadamia business”.

Mr. Cowan said that on successful completion of the demerger, the Company would concentrate on becoming a dominant player in branded macadamia products, and explore other potential opportunities in health and plant based protein food product markets.

“To reflect this new focus, as part of the approvals required to implement the Proposed Transaction, the Company intends to seek shareholder approval to change its name to 'Health and Plant Protein Ltd' (HPP),” said Mr. Cowan.

Proposed Transaction – commercial terms

Under the Proposed Transaction, Global Foods will pay \$8.3 million for the Ginger Division assets on a going concern basis subject to customary adjustments for any assumed liabilities, employee entitlements and working capital in the subsidiary entities.



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It is expected that completion of the Proposed Transaction will be subject to Company shareholder approval and Fiji regulatory approval. The Company is also currently consulting with ASX in relation to the application of Chapter 11 of the Listing Rules.

If negotiations are concluded successfully and the parties enter into definitive legal agreements to implement the Proposed Transaction, the Company will convene a general meeting to consider the Proposed Transaction and provide to shareholders an independent expert report in relation to whether the Proposed Transaction is fair and reasonable to shareholders not associated with Global Foods.

If the Proposed Transaction proceeds, the Company's CEO, Mr Andrew Bond, is expected to transfer with the Ginger business to Global Foods (subject to negotiation between him and Global Foods) and lead the Ginger Division.

The Board intends to invite Mr Bond back to join the Company's Board as a Non-Executive Director.

Mr Bond said "I am pleased to have led the Buderim Group team to a successful turnaround of the Ginger Division and return to profitability. The Ginger business can achieve more but this requires further investment and capital expenditure. The sale to Global Foods will provide the Ginger business with the access to the capital required to achieve its potential. I am looking forward to that new challenge and, at the same time, continuing my involvement with the Company to assist with its focus on the macadamia business".

Mr Cowan said "Mr Bond has been critical to execution of the group strategies to date, and we are grateful for his contributions. As a Non-Executive Director, the Company will retain Andrew's insights and experience and he will provide significant value in that capacity".

Governance

A Transaction Committee comprising Mr Guy Cowan (Independent Chairman) and Mr Dennis Lin (Director) has been established by the Board to oversee all aspects of the Proposed Transaction. As Mr Lin is a nominee of the Company's noteholder AMD, Mr Lin will not participate in any deliberations or decisions of the Transaction Committee involving any matter in which he may be conflicted.

Mr Peter O'Keeffe (Director) will not participate in any deliberations or decisions involving the Proposed Transaction due to his association with Global Foods.

The Company has appointed BDO Australia as financial advisor and Thomson Geer as legal advisor in relation to the Proposed Transaction.

Senior management restructure

With effect on and from 1 July 2020, Mr Lin (currently a Non-executive Director) will become an Executive Director to lead the demerger and drive the Company's future post ginger business plan and strategy. Until completion of the Proposed Transaction, Mr Bond will remain CEO of the Company and work closely together with Mr Lin to facilitate a seamless transition.



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Since joining the Board in November 2017, Mr Lin has been instrumental in contributing to the Company's strategy as well as being involved in all key transactions, and is well known to stakeholders and employees.

Prior to his retirement as partner of BDO Australia in 2018, Mr Lin was a taxation and global corporate transaction advisor for over 15 years. In the last 5 years, he has been closely involved in driving growth strategies of branded food businesses, and has strong network and relationships in the industry in greater Asia and the United States of America.

Mr Lin is Executive Chairman of Bubs Australia Ltd (ASX:BUB) and independent Non-executive Director of Synertec Corporation (ASX:SOP). He is also co-founder of Cortina Capital, a boutique private equity fund. Mr Lin is a qualified solicitor and Chartered Accountant.

Mr Cowan said "We are fortunate to have secured Mr Lin's services, and I look forward to working with Dennis as we embark on the next phase of exciting growth".

Next steps

The Proposed Transaction is non-binding, incomplete and subject to satisfactory buyer due diligence and the parties negotiating and entering into definitive legal agreements to implement the Proposed Transaction.

Shareholders should note that there is no certainty that any agreement will be reached, any transaction will eventuate from the current engagement nor whether a superior proposal may emerge. A further announcement will be made if negotiations are completed and result in a binding agreement or engagement is discontinued.

The Board is focused on maximising shareholder value and will carefully consider any proposal that is consistent with this objective.

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

ENDS

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EDITORS NOTES

About the Company

Starting as a small Ginger Growers Cooperative in 1941, the Company today is a long-standing and proudly successful Australian business. It is Australia's leading ginger processor and marketer of confectionary ginger products and through MacFarms in Hawaii is the largest vertically integrated orchard to retail macadamia nut processor and marketer in the USA. The Company's public face is the renowned and highly awarded tourism attraction, The Ginger Factory, located on Queensland's Sunshine Coast.

About Global Foods

Global Foods is a privately owned leading food manufacturer of imported and Australian grown produce, including olives, oils, cheese, nuts, beans, pulses, herbs, spices and dried fruit. Global Foods' products are available nationally in the major supermarket chains, fruit markets, gourmet delis and leading food service distributors. Global Foods also operates in the business to business space of contract manufacture, industrial ingredients supply, new product and menu development.



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