



ASX ANNOUNCEMENT

2020 Annual General Meeting: Chairman and Executive Director Address 21 December 2020

21 December 2020

Welcome ladies and gentlemen to the Annual General Meeting of Buderim Group Limited. My name is Guy Cowan, Chairman of the Company.

Today's meeting is being held online via the Lumi digital platform. This allows Shareholders, Proxies and Guests to attend the meeting virtually. All attendees can watch a live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes.

Before the formal business of the Meeting, I will explain the process for asking questions and voting. We will then present our Resolutions for the Meeting.

Our Executive Director, Mr Dennis Lin and I will then present an overview of our financial performance and developments for the past year, an update on our key progress in FY21 and how it has been impacted by the macro-environment, and finally, provide some insights into our strategy as a Company focused on branded health and plant protein products.

Before closing the Meeting, we will address your questions and comments on the Resolutions or general questions related to the business, before closing the voting.

Before I start, let me introduce your Board:

- **Dennis Lin** - Executive Director: Dennis has been involved with the Company since 2016 and has a specific focus on strategically directing above industry growth in key markets such as USA and China through organic growth and acquisition activities. He leads a team of over 70 people across Australia, Hawaii and California.
- **Christina Chen** - Non-executive director: Christina is a nominated representative of AMD, our largest shareholder, and has significant experience in branded fast moving consumer goods, particularly in the Asian region. She is a director of Chacha Food Co Ltd, a leading company in branded nuts and roasted foods that is listed with market capitalisation of c. USD6 billion.
- **Peter O'Keeffe** - Non-executive director; Peter has had a long history with the business. He is an accountant with significant commercial experience in Australia; and
- **Andrew Bond** - Non-executive director: Andrew is the immediate past CEO of the Company and brings significant knowledge and insight to the board.
- **Lisa Davis** - our CFO and Company Secretary

As a business we have been fortunate to have a diverse set of skills across the Board and Key Leadership Team, who are building a track record of executing our strategic ambitions within the Company. I am particularly proud to have chaired the Board throughout what has been volatile and transformative year, as we navigate through COVID-19 and the sale of the Ginger division.

Also present online today is our PwC Audit team, including Partner Paddy Carney, who will also be available at the end of our presentation to answer any questions in relation to financial statements relevant to the auditor. In addition, our proposed new audit firm of EY under resolution 6, including Partner Susie Kuo, has also joined us.

We also have Eugene Fung, our Partner at Thomson Geer as our Legal Counsel representative alongside a member of his team member Thomas Gardner.

The Notice of Meeting was sent out to shareholders on the 18th November and accordingly, sufficient notice of the business of this meeting has been given. Since you will have by now received the Notice of Meeting and accompanying materials, with your permission I will take the Notice of Meeting as read. The Company Secretary has confirmed that this online meeting is properly constituted, and that proxies have been inspected and all those validly lodged have been accepted.

Now, it being the Annual General Meeting for the Company, I table the Financial Statements, Directors' Report and Auditors' Report for the Company for the year ended 30 June 2020. A copy of the Annual Report was submitted on the ASX and sent out to shareholders as part of the AGM mailout if online preferences stated so. Please contact Lisa, our Company Secretary, to post one out for you if you would like. In the presence of the Company's Auditors, if anyone would like to address any questions or comments on the financial statements, I am happy to receive them at the relevant time for questions in our meeting.

I will now hand over to Dennis to present a business update, as well as outline our strategic focus and opportunities that lie ahead. I will say a few words on the business after Dennis has concluded.

Chairman and Executive Director's Address

Good afternoon. Financial Year 2020 was an extraordinary year in which we responded to the COVID-19 pandemic, as well as divesting the Ginger division to position the Macadamia Division to be the flywheel of a health and plant protein business in the post-pandemic era. I will firstly review key elements of Financial Year 2020, particularly as they connect to our business on a go-forward basis. Secondly, I will provide a further update on our strategic outlook and our future plans.

Financial Review – Group (including Ginger division)

As was evident in our results, our business was impacted by Covid-19. However, the Company was still able to end the year on \$72.59 million in Consolidated Group Income, roughly in line with FY2019 and a Net Loss after Income Tax of \$7.56 million. The key drivers included:

- \$6.05 million of ginger segment impairment following announcement of the sale
- Macadamia sales in the US were impacted in second half by Covid-19
- Tourism operations closed for three months (closed 23 March – re-opened 27 June), in the second half due to Covid-19

At the same time, despite the ongoing challenges of Covid-19 in the United States, we are continuing to see early market indications of recovery.

Key Activities Undertaken since Ginger Division Sale

The Company kept the market informed of developments in relation to the sale of the Ginger division. In accordance with the agreements, the transaction was completed on 30 September 2020. The transaction was transformational in allowing the Company to have a singular focus on health and plant protein based opportunities, anchored by the existing branded macadamia division.

Since the sale, the Company has received anecdotal positive feedback on the Ginger business under new ownership. It is a testament to the way in which Andrew Bond (former CEO and now Non-Executive Director) has turned the business around and continues to lead that business forward. We are grateful and fortunate to have been able to deliver an iconic Queensland business to the right custodians and look forward to seeing its continued prosperity.

Structurally, the Ginger division sale was conducted by selling the main relevant business assets as a going concern. Following its completion, the Company has been conducting a comprehensive review to streamline and further improve its administration and systems, as well as preparing for the proposed corporate rebranding. Some of the activities include:

- Comprehensive IT systems review and upgrade to further enhance efficiency and cyber security;
- Streamlining corporate reporting systems to allow management to be agile, and equipped with metrics and tools to concentrate on key business initiatives that can enhance shareholder returns;
- General review of corporate costs and identifying efficiencies, as well as skillset gaps that may be required within the Company in its new form; and
- Preparation for the launch of the Company's new corporate name and entity, including a new website that will direct consumers to our retail platforms.

These key activities are all expected to conclude during January 2021, and the new systems will also go live at that time. The Company is grateful to the team members who have worked through these transformational initiatives in a volatile macro-environment with a lot of hard work and commitment. Following this phase, the Company expects to have a seamless platform and corporate support structure on which to build the health and plant protein business through organic and acquisitive means.

Balance Sheet Optimisation and Focus

Following the Ginger Division sale, the Company's balance sheet has materially simplified. To that end, the Company has utilised the proceeds from the Ginger division sale to repay \$5 million of convertible notes, as well as the continuing reduction of the outstanding balance of its working capital finance facility with Greensill Capital. For the first time since my involvement from 2016, the Company is in one of the strongest positions it has ever been, with a robust cash and cash equivalents reserve to grow the business and strategically assess opportunities.

To that end, the Company will carry out a strategic review of its Kapua Macadamia Orchard on the Big Island in Hawaii. The orchard is one of the largest in the world, and the macadamia nuts are grown in a natural habitat that does not require irrigation. As a matter of course, this means the orchard also has one of the lower costs of production.

The orchard has been independently assessed to be worth approximately \$32 million USD as at 30 June 2020. Whilst this asset backing is comforting, the board's view is that the Company will deliver further improved total shareholder returns by pursuing an asset light model. At the same time, we will utilise our deep agricultural knowledge to further improve operations, and also to ensure that any potential options will allow the Company to retain an important influence over the supply chain, most likely through a long-term offtake agreement.

Recent Capital Raise

Over the last few weeks, the Company conducted capital raising activities by way of a placement and an entitlement rights offer. All of the shares were allotted on 18 December 2020. The Company is pleased to report that it has received strong support from existing investors, as well as new institutional and retail investors. The capital will further assist the Company with its working capital position, as well as creating further liquidity so that the Company's value proposition may be better reflected in its market capitalisation. At the same time, it was also constructive for the Company to engage with its broader strategic vision as Health and Plant Protein Group Ltd.

Health and Plant Protein

During our capital raising activities, the Company was able to further communicate its strategic vision of becoming a leading global player in health and plant protein categories. Macadamia is a product that is full of minerals and nutrients including plant protein. As an existing vertically integrated operator of branded macadamia products that is distributed through 52,000 stores, Health and Plant Protein forms an important anchor and foundation to further grow the macadamia business in the USA and globally, as well as identifying other plant protein opportunities to utilise its corporate infrastructure, discipline and distribution expertise. In addition to the existing snack and confectionary categories, the Company is actively exploring adjacent or synergetic categories through new product development, or potential acquisitions. Some of the examples include functional products specifically targeting consumers on keto or vegan diet, as well as plant based yoghurt and drinks. These categories share the common theme of being key high growth sub-categories where there is an opportunity to be a category creator or be a boutique challenger brand.

In addition, in aspiring to being a branded, asset light operator in health and plant protein products, the Company is also aware of the roles that private label products can play in major retail chains. To that end, the Company will continue to maximise its supply chain knowledge and participate in this industry, particularly given our existing knowledge as a vertically integrated operator. In the Company's view, this will encourage an innovative culture, as well as prolong product lifecycles on its product ranges.

So far as it relates to macadamia, the Company is now actively looking at sourcing and procuring macadamia nuts from both Australia and also other major production regions, such as Africa. The procurement team will likely be based in the Australian offices to take advantage of the extensive macadamia industry and talent here.

Trading Update

The business is continuing to trade in a volatile environment, mainly due to restrictions and limitations that are brought about by Covid-19 in the United States of America. However, as the Company's products operate mostly in grocery and convenience channels (as opposed to tourist and souvenir

channels), the business is generally holding up. The Company is taking the opportunity to invest in digital channels from e-commerce to content marketing to further build brand awareness. Recently, the Company has also taken on a large purchase order with an existing account. Operating in the club channels in the USA, the purchase order is a private label contract that would best utilise excess macadamia kernels that are not currently utilised extensively in our branded products, as well as cash realisation. The order is expected to be over \$5 million AUD over a 12 month period, and the Company is pursuing similar opportunities with existing accounts, as well as other channels.

Pleasingly, according to Nielsen data, the Company is continuing to grow its branded products in the category and continuing to take market share from existing players. Based on the current run rate, there is an opportunity for the Company's existing brands of RHO and MacFarms to become the no. 1 macadamia brand in all of USA within the next two years. The Company will continue to strive for that goal, including looking at product extension opportunities.

Business Overview – Global Player in Health and Plant Protein

As a matter of course, fast moving consumer goods is a competitive industry, and brands take time and investment to build. The Company has been able to benefit from its RHO acquisition, which saw our macadamia division achieve a level of scale that can support a sophisticated corporate function to continue to drive its strategic growth. In addition, we see a genuine and sustainable consumer trend in wanting more plant based products that are healthier for them. The Company is proud of where it has come, and genuinely excited about the potential growth prospects of our business and platform that we have now built.

Close to three years ago, when I took on chairmanship of the Company, we were a somewhat different looking business. However, as I reflect, I am proud to have led the board and management in making some key important strategic decisions with the support of our shareholders. The recent successful capital raising and the interest in entitlement offer further affirms that we have broad shareholder support for the refreshed strategy we have embarked on.

I am standing for re-election today as a director, and I am grateful for the shareholders' support to date. At the same time, I also feel that it is a milestone moment and perhaps the Company may require an additional skillset in pursuing branded opportunities in the health and plant protein space in the United States and then throughout the world. On that basis, I expect this will be my last term and I am open to transitioning earlier if a replacement can be found who can take the company to the next stage of growth and profitability. At this stage I would like to thank Andrew Bond and Dennis Lin who have steered the company through a challenging period as well as the entire management team and staff of the Company. I also thank shareholders for their continuing support

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

ENDS

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About the Company

The Company, through its 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 the Company makes its products from wholesome and unmodified ingredients. The macadamia business forms the basis of the Company's strategic ambitions in becoming a leading independent participant in health and plant based protein food categories.