



THE FOOD  
REVOLUTION  
GROUP

ASX Announcement

28th July 2020

## MARKET UPDATE

The Food Revolution Group Limited (ASX:FOD, or the Company) is pleased to provide the following update on the Company's operations and strategy development post the appointment of Tony Rowlinson as CEO in April 2020.

### Highlights

- **Effectively managing challenges of COVID- 19 with facility fully operational and continued improvement in service levels to major retailers.**
- **Identified initial operational improvements of over \$2m, with an ongoing focus on process streamlining and logistics to deliver further savings.**
- **Installed line performance management software to improve the efficiency of our Mill Park operation.**
- **Continued commissioning of the state-of-the-art Mill Park clean room with successful collagen product trials. Anticipated product launch for the collagen & powder lines anticipated for August FY20.**
- **Experiencing strong demand for the Original Juice Brand products with the launch of new variants delivering above expected sales volumes.**
- **Commenced discussions with major customers, with expectations of improved trading terms for FY21.**

Food Revolution Group CEO and Managing Director commented *"Although the total Australian beverage market has been severely impacted by COVID-19, the demand for Original Juice Company premium orange juice range has been very pleasing. Our #1 Brand OBL has grown by 15% over the past 12 months.*

*With strong end product demand, our attention has been focussed on identifying key areas of opportunity within the business. An extensive review of our operations highlighted the need to improve our operational performance and efficiencies. We have identified over \$2m of initial operational and supply chain improvements that we will focus on in this financial year.*

*Commissioning trials at the new state-of-the-art Mill Park facility have been successful, and we look forward to launching our range of plant-based wellness supplements and collagen products aimed at the Chinese and other Export markets in the second half of CY20.*

*There remains a significant amount of upside in the company from new product line development, streamlining of our domestic juice portfolio and continued drive for operational improvement. I look forward to updating the market later in the year on the development of our key strategic priorities."*

## **Production Efficiencies and raw material supply**

The operational availability and process flow efficiency of our facilities are a major component in dictating higher profit margins. The company has undertaken a comprehensive review of operational efficiency and identified areas for improvement. Major efficiency and cost saving projects have commenced.

Key areas of operational improvement include:

- Improving line performance, reducing downtime and increasing product throughput. The company has installed industry-leading OFS software solutions that integrate manufacturing performance data to deliver sustained operational excellence.
- A juice recovery plan has been commissioned to reduce the amount of waste generated in the manufacturing process. Limiting waste and increasing utilisation of raw materials will significantly improve operating margins.
- Identifying labour savings through better managing our peel wastage process
- A utility saving project that focusses on our internal flow process and management of our utility suppliers to reduce energy costs. Initial improvements in gas usage have delivered calendar YTD savings in excess of \$50,000
- Introduction of a Homogenising pulp usage process is also expected to deliver a substantial reduction in the cost of goods

To remain resilient to supply factors, FOD has secured supply for the next 24 months from 200 major domestic orange growers. The supply agreements will dramatically improve the security of raw material supply helping to stabilise production process which in turn will improve process efficiency and benefit operating margins.

The company has secured sourcing for other raw materials such as bottles, fixtures, labels and packaging to ensure that the production facility at Mill Park will be able to meet demand requirements.

## **Commissioning of the Mill Park clean room and launch of marine collagen range, Eridani**

Commissioning trials at the new state-of-the-art Mill Park facility have been successful and the Company will be launching a range of plant-based wellness supplements and collagen products in the second half of CY20.

The first product to launch will be Eridani, a range of premium Marine Collagens which have the benefits of improved appearance of skin, hair and nails, boosting consumers metabolism and reducing inflammation. These products are expected to be launched in August FY20 with further lines to follow.

## **Trading Activity**

The re-launch of the Original Juice Brand continues to deliver strong growth. New variants launched into Coles supermarkets performed above expectations. The Company has recently rolled out three new variants into Woolworths with positive initial sales data. Despite the impact of COVID-19 on the broader retail environment, momentum to juice sales has remained strong.

Additionally, FOD has started negotiations with major customers. The strong sales volumes of our products will assist in negotiating favourable trading terms for our products in FY21.

### **COVID and ongoing operational readiness**

The health and safety of our people remain a key priority for FOD. To ensure our staff's safety and minimise the risk of infection of COVID-19, the company continues to implement a number of policies. These measures include a split team policy, increased hygiene practices, daily temperature checks, limited visitors to the site and encouraging and helping facilitate remote working where possible. We continue to enforce modified packaging rosters to limit the risk of any COVID-19 infection and ensure our operations remain fully operational and continue to deliver products to our customers. The Mill Park facility remains a 'business critical' operation under Victorian Government legislation and we do not expect a tightening of social distancing policies to impact production levels.

### **Outlook**

FOD will continue to focus on delivering quality functional beverages and fast track the launch of all-natural wellness supplements aimed at the Chinese and other export markets, whilst driving an internal focus on operational improvement and cost control. Key areas of management focus include;

- Continued focus on identifying cost-saving and operational efficiency opportunities within the business and install a culture of performance management
- Finalise the commission of the Mill Park clean room and successfully launch Eridani, a range of Marine Collagens
- Development, communication, and execution of strategy for the sale and marketing of our collagen and powder range into China
- Continue to provide a safe working environment for all FOD staff
- Work with our end customer to improve trading terms and lift the distribution of FOD's product line through the domestic retail network

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This announcement was authorised by FOD Board

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## **About The Food Revolution Group**

The Food Revolution Group Limited (ASX: FOD) is an Australian-based food processing company that uses a combination of conventional juice processing equipment and custom-developed equipment and processes to manufacture a range of high-quality juices, fibres, infused fruits and fruit waters that are sold as branded products or ingredients to customers domestically and overseas.

FOD uses a range of processing technologies, including Current Counter Extraction (CCE) technology which was developed in conjunction with Australia's CSIRO to extract juice from fruit and vegetables. Its processing facilities are located in Mill Park, Victoria.

FOD is aiming to generate shareholder value through exploring opportunities for growth in the functional food, beverage and nutraceutical markets in Australian and key international markets, including China.