

HALO FOOD CO. ACQUIRES THE HEALTHY MUMMY IN TRANSFORMATIONAL AND HIGHLY ACCRETIVE DEAL, RECEIVES BINDING COMMITMENTS FOR \$3.5m PLACEMENT AND ANNOUNCES SPP

15 February 2022

Halo Food Co. Limited (ASX:HLF) (“Halo” or the “Company”) is pleased to announce it has signed a binding conditional agreement to acquire 100% of the issued share capital in leading digital health and wellness business, The Healthy Mummy Holdings Pty Limited (“THM”), for \$17.0m¹ plus an earn-out, (the “Acquisition”). The Company has received binding commitments for a placement of \$3.5 million (“Placement”) and will launch a Share Purchase Plan (“SPP”) to raise up to a further \$3 million from existing eligible shareholders.

Highlights

- Halo to acquire 100% of the issued share capital of leading digital health and wellness company, The Healthy Mummy, subject to satisfaction of conditions precedent including shareholder approval
- A fast growing, profitable and cash generative business, in FY21, THM recorded revenue of ~\$21 million and normalised EBITDA of \$4 million
- Acquisition price of \$17.0 million and a \$5.0 million earn-out, subject to revenue and EBITDA performance milestones
- Compelling FY21 upfront valuation acquisition multiple of 4.1x FY21 EV/EBITDA
- Highly strategic acquisition to deliver combined revenue of ~\$84 million and normalised EBITDA of ~\$5.7 million to the Company pre-synergies
- Over \$800k in synergies expected to be realised from the manufacture of THM products in-house at Halo’s existing manufacturing facilities
- THM offers a differentiated product, service and digital distribution offering with substantial cross-selling opportunities for existing Halo brands, driving organic growth
- Halo receives binding commitments for \$3.5m million Placement to institutional and sophisticated investors and will launch a \$3.0m SPP to existing eligible shareholders

¹ Subject to purchase price and working capital adjustments at completion



- Additional funding for the Acquisition has been secured via a new debt facility of \$13.0m with Arrowpoint Capital, replacing the existing Australian trade facility

Halo Food Co. CEO, Danny Rotman, stated “The acquisition of The Healthy Mummy is transformational, highly complementary and financially compelling for Halo Food Co. The Healthy Mummy is an established, profitable and cash generative business, with strong digital distribution channels and metrics focused on the health and wellness of mothers. The business is a natural fit to the existing Halo business, increasing the lifetime value of customers to the group and adding high margin digital distribution channels and cross-sell capability that would otherwise take years to establish organically. I am excited to welcome Rhian Allen as CEO of The Healthy Mummy to the Halo group and look forward to the strength of the combined business moving forward and the value this creates for shareholders.”

“Halo has received binding commitments for a well-supported Placement of \$3.5m to institutions, sophisticated investors and existing shareholders. We are very pleased with the level of interest from both new and existing shareholders as we continue to accelerate the growth and scale of the Halo group.”

Upon the announcement of the Acquisition, Rhian Allen, Founder and CEO of the Healthy Mummy said “I am so excited to be able to join forces with Halo Food Co. and take The Healthy Mummy to a new level with a highly accredited and entrepreneurial partner. By partnering with a world class health and wellness brand owner, developer and manufacturer in Halo, The Healthy Mummy will be able to accelerate the development of innovative and first to market nutritional products and increase our distribution of products across multiple retail channels. Our incredible community of mums and their entire family are always our first priority and the acquisition and partnership with Halo, will only allow us to serve mums better.”

About The Healthy Mummy

The Healthy Mummy was founded in 2010 by Rhian Allen and has grown to become one of the world’s leading health and wellness platforms for mothers, in FY21 generating ~\$21 million in revenue and \$4 million of normalised EBITDA.

THM’s fully integrated business model creates a unique and hard-to-replicate offering that provides everything a mother needs to change her lifestyle – including an engaged community of likeminded mums offering real-time support and encouragement.

The THM business model comprises three key verticals;

1. **Digital subscription:** delivered via The Healthy Mummy App, providing a nutritionist, personal trainer, and motivational coach - delivering 100% gross margins and ~39% of revenue;



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2. **Food and Products:** A broad range of consumable (smoothies, snacks, supplements) and non-consumable (skincare, books and merchandise) products sold online and via 440 Priceline stores delivering ~48% gross margins and ~61% of revenue; and
 3. **Community:** An engaged community offering one of the world's largest health and wellness community of mothers with young children with over 1.9m Facebook followers, 600k+ Facebook private group members and 235k+ Instagram followers.

THM has ~86,000 digital subscribers² across various digital subscription products, including a large proportion of a recurring nature, 736,000 unique website visitors per month² and an attractive 4x customer acquisition cost to lifetime value ratio.

Strategic Rationale

The acquisition of THM is a transformational and highly complementary addition to the Halo group. Halo will benefit from higher margin digital distribution channels creating a vertically integrated brand owner and manufacturer with an ability to increase the lifetime value of customers across the Halo group via the cross selling of products across broader distribution channels.

The Halo board believes there is a compelling strategic rationale for the Acquisition:

- THM is a leading player in the mothers focussed weight loss health and wellbeing segment
- Differentiated product and service offering with substantial cross-sell opportunities for Halo and THM proprietary brands
- Manufacturing synergies with \$4-5m per annum of THM products to be brought in-house to Halo manufacturing facilities (Melbourne & Sydney), creating ~\$800,000 of synergies
- Complementary digital distribution channels with a strong recurring subscription basis
- THM is an established, profitable and cash generative business, immediately accretive to Halo (pre-synergies)
- Higher margin, proprietary brand sales to transform Halo sales mix and materially increase gross profit and EBITDA across the consolidated group

² As at January 2022



Acquisition Structure

Halo has signed a binding conditional agreement to acquire 100% of the issued share capital in leading health and wellness business, THM for \$17.0m³ plus an earn-out, subject to performance milestones.

Upon completion of the Acquisition, the vendors of THM being Whiteoak Pty Limited and Rhian Allen ("**Vendors**"), will receive \$10.84m cash and \$6.17m in Halo shares. Halo shares will be issued to the Vendors at the 30 day volume weighted average price ("VWAP") prior to the announcement of the Acquisition, being \$0.1196 per share.

Additionally, the founder and CEO of THM, Rhian Allen, will receive earn-out consideration if THM achieves certain financial revenue and earnings milestones, specifically:

- cash payment of \$0.5m and an issue of Halo shares to the value of \$2.0m where FY22 revenue is greater than \$25.0m and EBITDA is greater than \$5.0m;
- cash payment of \$0.5m and an issue of Halo shares to the value of \$2.0m where FY23 revenue is greater than \$30.0m and EBITDA is greater than \$6.5m;
- The shares will be priced at the higher of \$0.08 and the 30 day VWAP of Halo shares at the time the announcement of the hurdle being met is made and all deferred equity is subject to a 24 month escrow from the date of issue. To the extent the relevant 30 day VWAP is below \$0.08, Rhian Allen will be paid a top-up cash payment to ensure she receives the value of the consideration stated above. Standard acceleration events also apply in relation to the earn-out consideration.

Completion of the Acquisition is subject to the following conditions precedent:

- The Company raises at least \$3.0m under the Placement;
- The Company's shareholders approve the issue of shares to THM shareholders under the Acquisition and the issue of 30m warrants to the debt financiers, Arrowpoint Capital; and
- No material adverse change occurs in relation to THM or becomes known to the Company or the THM shareholders between the date of the share purchase agreement and completion

³ Subject to purchase price and working capital adjustments at completion



Acquisition Funding – Placement, SPP and Debt Funding

The Acquisition will be funded by an equity raising which comprises a \$3.5 million Placement, a Share Purchase Plan to raise up to an additional \$3.0 million and a ~\$13 million new debt facility, replacing the Company's existing Australian debt facilities.

Halo has received binding commitments for a strongly supported Placement to raise \$3.5 million from institutional and sophisticated investors. The Placement will issue 35.0 million fully paid ordinary shares ("**New Shares**") at \$0.10 per share under the Company's placement capacity in accordance with ASX Listing Rule 7.1. The Placement price represents a:

- 23.1% discount on the last closing price; and
- 22.6% discount to the 5-day VWAP before the date of this announcement.

The debt facility of \$13.0m is being provided by Arrowpoint Capital and includes the issue of 30 million warrants exercisable at the same price as the Placement, being \$0.10 per warrant, and a 3 year term. Arrowpoint Capital, a leading provider of innovative debt solutions to Australian and New Zealand companies is backed by two branches of the Smorgon family (namely the Victor Smorgon Group and Sandbar Investments) as well as Stephen Koseff, former CEO of Investec Ltd and Investec plc.

Share Purchase Plan

The SPP will provide all existing eligible shareholders with an opportunity to apply for new Halo shares at the lower of (a) \$0.105 per share (representing a 18.77% discount to the 5 day VWAP prior to the date of this announcement and (b) a 15% discount to the 5 day VWAP up to and including the closing date of the SPP.

Under the terms of the SPP, eligible shareholders with a registered address in Australia and New Zealand as at 7pm, Monday 14 February 2022 (Sydney time) will be entitled to subscribe for up to \$30,000 of Halo shares to raise up to \$3.0 million.

In the event the SPP raises more than \$3.0 million, the Company reserves the right to accept oversubscriptions under the SPP at its absolute discretion. Further details of the SPP will be despatched to Halo shareholders on or around Thursday 17 February 2022.

The New Shares issued under the Placement and SPP will rank equally with existing Halo shares as at their date of issue.

Block Trade

Additionally, Bergen Special Opportunity Fund LP, has agreed to sell its entire holding of 20.3 million shares at \$0.10 per share, equal to the Placement price.

Bell Potter Securities Limited and Peloton Capital Pty Ltd acted as Joint Lead Managers to the Placement and SPP. Neu Capital advised on the debt financing facility.



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Indicative Timetable

Event	Date
Trading halt	Monday, 14 February 2022
Record date for determining eligible participation to subscribe for New Shares via the SPP	7pm Sydney time Monday, 14 February 2022
Trading halt lifted and announcement of the Acquisition, Block Trade, Placement and SPP, Halo shares recommence trading on ASX	Tuesday, 15 February 2022
SPP Offer Booklet and Notice of EGM Meeting despatched to eligible shareholders	Thursday, 17 February 2022
Settlement of Placement	Friday, 18 February 2022
Allotment of New Shares issued under the Placement	Monday, 21 February 2022
SPP opens	Wednesday, 23 February 2022
SPP closes	Monday, 14 March 2022
EGM to approve issue of Vendor Shares to THM shareholders and results of SPP announced to the market	On or around Friday, 18 March 2022
Allotment of New Shares issued under the SPP and shares to THM shareholders and completion of the Acquisition	Monday, 21 March 2022

The above table is indicative only and subject to change. Halo reserves the right to amend any or all of these dates at their absolute discretion, subject to the Corporations Act 2011 (Cth), the ASX Listing Rules and any other applicable laws. All references to date or time in the indicative timetable is a reference to Sydney time.

Additional Information

Further details of the Acquisition are set out in the investor presentation also provided to ASX today. The investor presentation contains important information including the terms and effects of the Acquisition, key risks and foreign selling restrictions with respect of the Placement. Any person considering an investment in Halo should read the investor presentation and seek his or her own independent advice before making any decision in this regard.



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The release of this announcement was authorised by the Non-Executive Chairman, Mr. Peter James on behalf of the board.

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Further Information

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About Halo Food Co. Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Halo Food Co. Limited is an established manufacturer and exporter of formulated dairy products and health and wellness products. Halo Food Co. is a leading Australian and New Zealand product developer and manufacturer in the health and wellness sector, with dry powder, ready to drink UHT and protein bar health and wellness-based product capability. In addition to Halo Food Co.'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.halofoodco.com for further information.

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