ASX Announcement

Maggie Beer Holdings Limited
(ASX:MBH)

16 February 2022

MBH H1 FY22 RESULTS AND TRADING UPDATE

Maggie Beer Holdings Ltd (**MBH** or the **Company**) is pleased to announce its results for the 6 months ended 31 December 2021 (**H1 FY22**), a period which demonstrated the strong revenue and earnings growth from the successful integration of Hampers & Gifts Australia (**HGA**). The MBH Group has been transformed and is now a scalable, large, premium e-commerce business, that together with its retail offer, has great momentum and provides a strong platform to accelerate future growth.

Key H1 FY22 highlights (compared to H1 FY21):

- **Net sales increased by 133.8% or 18.2% (on a proforma basis[1])**
- **Trading EBITDA increased by $8.0m to $9.8m[2]**
- **NPAT increased by $5.9m to $5.5m**
- **Strong cash position with operating cash flow increasing by $10.9m in H1 FY22 vs H1 FY21 and $23.0m in cash at 31 December 2021**
- **Integration of HGA successfully completed, with the Group's GM% increasing by 5.1 pts or $20.4m in H1 FY22 vs H1 FY21**
- **HGA's net sales increased by 28.6% in H1 FY22 vs H1 FY21 (on a pro forma basis[1])**
- **Maggie Beer Products (MBP's) total net sales increased by 24.7% with its e-commerce sales increasing by 174.1% and its retail grocery sales increasing by 9.7% in H1 FY22 vs H1 FY21**
- **With a strong GM%, trading EBITDA and cash position, MBH strategically increased its brand investment in H1 FY22 to accelerate revenue growth and market share gains. Brand investment in H1 FY22 was ~$4.6M or 7.2% of total net sales up from 4.1% in H1 FY21 (on a pro forma basis[1])**
- **The MBH Group has now been transformed into a scalable, large, premium e-commerce and omni channel business, providing a seamless shopping experience for consumers placing it in an enviable position to accelerate future growth**
- **Strong business & channel diversification with 59.5% of H1 FY22 sales from e-commerce**
- **Ability to implement price increases with its premium branded offer and superior customer value proposition**

1 *Pro forma results include unaudited HGA results prior to the acquisition on 21/05/2021*

2 *After adjusting for JobKeeper*

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- **COVID-19 challenges across supply chain, staffing and grocery retail negatively impacted the H1 FY22 results and continue to impact the Group in H2 FY22, with our diversification between e-commerce and retail reducing our overall risk and still delivering growth**

New business supports continued growth:

- **HGA launching a new range of Mother's Day, homeware and pamper hampers in H2 FY22**
- **MBP and HGA to launch new cheese & entertaining hampers nationally in H2 FY22**
- **MBP to launch new 1 litre cooking stock range & its 500ml bone broth range nationally in a major retail supermarket in May 22**
- **PCF's farmers have achieved carbon neutral status and PCF will launch its new "milk from carbon neutral dairy farms" packaging as part of the launch of its PCF branded milk in Woolworths in VIC and NSW in March 22**

Commenting on MBH's performance, CEO & MD Chantale Millard said:

"The first half saw the integration of HGA into the MBH Group completed successfully and on time, substantially diversifying our revenue and gross margin between e-commerce, grocery retail and food service, which has enabled us to deliver strong revenue and earnings growth in a very challenging market. The first half was continually challenged by persistent COVID-19 headwinds, which increased costs and disrupted international and national supply chains."

"As a group, we strategically invested in continuing to grow our sales and market share and invested in ensuring our e-commerce customers received a great on-line shopping experience and timely deliveries over Christmas. HGA's exceptional net promoter score of 72.5 demonstrates that we have a superior value proposition and maintained our world class reputation for customer satisfaction."

"With our group gross margin improving by 5.1 points in the first half and our increasing trading EBITDA, we will continue to invest in our businesses and in sales growth over the second half, with our newly implemented e-commerce technology and the launch of new products and ranges across the Group."

COVID-19 Challenges

The COVID-19 pandemic continued to cause disruption in H1 FY22 which increased costs across supply chain, including inbound freight, labour and outbound freight. It also negatively impacted sales to food service/cafes and major grocery retailers due to staff shortages and an inability to move product through their distribution centres or re-stock supermarket shelves. Despite this, all four businesses in the Group continued to perform well and showed resilience underpinned by the Group's diversification – channels, customers, and brands – which continued to grow despite COVID-19 related headwinds.

With a premium branded portfolio and 59.5% of MBH's net sales in e-commerce for H1 FY22, MBH has the ability to implement strategic price increases, where appropriate, if these abnormal COVID-19 costs persist.

Integration of HGA into MBH is delivering what we said it would

The Group performed strongly across both grocery retail and e-commerce, with HGA growing its e-commerce net sales by 28.6% over the COVID-19 high of H1 FY21[1] and the combined firepower of the HGA operations team and digital marketing team helping grow MBP's e-commerce sales by 174.1% in H1 FY22 compared to H1 FY21. This excellent growth demonstrates the depth of skills across our in-house digital marketing, e-commerce and logistics teams and the customer value proposition that MBH now has with the purchase of HGA. Combined with MBP's operational expertise and premium food range, it has provided the platform for the ongoing growth of the Group's e-commerce businesses.

The Company achieved a trading EBITDA of $9.8 million (H1 FY21: $1.8 million) and a positive net profit after tax of $5.5 million (FY21: net loss of $0.4m million), which highlights the underlying strength of MBH's premium brands, diversified and capital light business model, tight cost control and focus on continuous improvement and innovation.

Strong balance sheet and positive cashflow

MBH has a strong cash position with operating cash flows increasing by $10.9m in H1 FY22 vs H1 FY21, with $23.0m in cash at H1 FY22 and no non-asset backed debt at 31 December 21.

MBH is capital light, with a strong balance sheet and $23.0m in cash (at 31 December 2021) and is accordingly well funded for future growth. The Board is considering all capital management options for FY22, including the payment of dividends, and will ensure any capital management initiatives do not compromise further opportunities for growth.

Hampers and Gifts Australia (HGA) continues to have excellent growth

HGA's net sales increased by an impressive 28.6% to $34.7m in H1 FY22, compared to H1 FY21 demonstrating its ability to continue to achieve strong growth. HGA invested in growing its sales and market share and made the strategic decision to invest in faster delivery methods to provide a great shopping experience for consumers over Christmas.

HGA's gross margin percentage remains very strong at 55.9% and grew by 25.3% or $3.9m versus H1 FY21[1]. The Hamper Emporium, making up 75% of HGA's net sales increased its new customers by 31.1% in H1 FY22 over the same time last year, increased its repeat customer purchase rate by 56.6% and achieved a net promoter score of 72.5, which is world class. Gifts Australia, making up the remaining balance of the HGA business, increased its new customers by 19.0% in H1 FY22 over the same time last year, increased its repeat customer purchase rate by 40.0% and achieved a net promoter score of 74.5.

With its premium offer and superior customer value proposition, the business has the ability to implement strategic price increases when required to protect its gross margin if increased costs persist.

HGA expanded its warehouse space in the first half of FY22, with minimal capital expenditure and this expansion will allow for at least 3 more years of growth on the current trajectory without major capital expenditure.

In Q4 FY22, HGA will launch its new range of Mother's Day, homewares and pamper hampers which will expand its premium gifting range and will continue to grow sales in the non-Christmas gifting periods. HGA will also launch HGA and MBP cheese and entertaining hampers in March 22.

Maggie Beer Products delivers strong results

MBP's net sales grew by 24.7% to $18.2 million (H1 FY21: $14.6 million) driven by the launch of new products, growth in its core retail grocery sales and excellent uplift in its e-commerce sales. MBP's retail grocery sales grew by 9.7% in H1 FY21 and its e-commerce sales grew by 174.1%, demonstrating the upside potential still to be realised in its e-commerce business under the management of the combined HGA and MBP team.

MBP's gross margin increased by 23.0% to $8.3m in H1 FY22 compared to H1 FY21, with the higher margin e-commerce sales offsetting the lower margin received on some third party produced products. As a percentage of sales, the gross margin decreased slightly from 46.3% at H1 FY21 to 45.6% at H1 FY22, but this is expected to improve as its e-commerce sales continue to grow and price increases are implemented across retail grocery.

MBP has strategically increased its marketing costs in H1 FY22, with investments in the launch of its new bone broth and finishing sauces ranges nationally in retail grocery, together with the creation of new television commercials featuring Maggie Beer, the implementation of its new digital marketing plan for e-commerce and in-store media spend for its core range in retail grocery. This investment will underpin future growth in sales and greater brand awareness.

With the cooking at home trend continuing, MBP has seen good growth in its current 500ml cooking stock range and bone broth range and is excited to be partnering with a major retailer to launch its new 1 litre cooking stock range and its 500ml bone broth range, nationally in May 22. This expansion is a key part of MBP's strategy to grow national ranging of its core product portfolio.

Paris Creek Farms (PCF) gearing for growth

PCF's net sales were down 12.3% in H1 FY22 compared to H1 FY21, however excluding the private label business discontinued in March 2021, its PCF branded product sales have grown by 9.3%.

All PCF's biodynamic organic milk is now from carbon neutral dairy farms and this will be highlighted on product packaging from March 22 as we launch the PCF branded 2 litre milk range in 400 Woolworths stores across VIC and NSW.

This product launch is expected to result in accelerated growth for the PCF branded products and will add approximately 3 million litres of additional milk volume through the facility, improving overhead recoveries and operational efficiencies which have suffered since the decrease in the private label business in March 21.

PCF's Greek Style Yogurts, launched at the end of June 2021, continue to drive growth with the yoghurt category growing by 26.7% in H1 FY22 vs H1 FY21.

The expansion into the eastern states with a fully supported marketing plan will help improve PCF's brand awareness and grow sales with a focus on sustainability and 'better for you' messaging – *Paris Creek Farms – Better for you and for our planet*.

We continue to review all options to unlock shareholder value and return the PCF business to profitability, with the new Woolworths milk business giving us more optionality.

St David Dairy (SDD) continues to show resilience in the face of further COVID-19 impacts

SDD's net sales continued to grow despite the ongoing COVID-19 challenges and were up 7.6% to $4.8m in H1 FY22 compared to H1 FY21. COVID-19 restrictions and lockdowns in Melbourne and Sydney, with many key customers closed for extended periods of time, affected sales and stifled growth. This is still being felt in H2 FY22 with staff shortages impacting many of SDD's customers' ability to trade at full capacity.

Operating expenses were impacted with higher labour costs due to staff shortages, increased delivery costs and costs of machinery maintenance. There was no loss on excess milk in H1 FY22, however excess milk was higher than expected which diluted its gross margin percentage. Excluding excess milk, the gross margin percentage would have been 49.9% (H1 FY21: 47.8%).

SDD continues to generate a positive trading EBITDA and is cashflow positive.

Outlook

MBH has strategically increased its investment in its brands in H1 FY22 to accelerate revenue growth and market share gains. MBH is currently on track to meet its Group revenue guidance target of $100m for FY22. Our FY22 trading EBITDA guidance continues to be contingent on the abnormal costs and trading conditions experienced due to COVID-19, abating and returning to normal in H2 FY22. Regardless, MBH will continue to invest in and scale up its business in the second half of FY22, to capitalise on growth opportunities and create sustainable, long-term shareholder value.

Exciting growth prospects ahead

MBH has demonstrated it now has a clear path to sustained earnings and revenue growth, with four premium brands that remain on-trend and continue to resonate with Australian and international consumers. Following the purchase of HGA, MBH has successfully diversified its revenue and reduced its reliance on the retail grocery channel, with 59.5% of its revenue in the first half from its e-commerce businesses. MBH has been able to grow its revenue and gross margin in a very challenging trading period, whilst maintaining a very healthy trading EBITDA and gross margins. The Group will continue to invest in and grow its brands to ensure long term shareholder value is realised.

Investor Call

A briefing for analysts and investors will be held by CEO Chantale Millard and CFO Eddie Woods today, Wednesday 16 February 2022, at 1.00 pm (AEDT).

Details of the call are as follows:

Join Zoom Meeting

https://us06web.zoom.us/j/82164266573?pwd=RTlnK0tCOGVFVkdGVDRJV0MxRERqZz09

Meeting ID: 821 6426 6573

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Authorised for release by the Board

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