



Australian Dairy Farms Group

ASX Code: AHF

29 December 2015

Australian Dairy Farms to acquire Camperdown Dairy Company

Acquisition creates ASX's first vertically integrated dairy company

Highlights

- **Binding agreement to buy Camperdown Dairy Company from Aussie Farmers Direct.**
- **Acquisition creates ASX's first vertically integrated dairy producing and processing and exporting company.**
- **Consideration of \$11m to be funded by AHF cash reserves and bank facilities.**
- **Camperdown Dairy Company (CDC) is an established dairy processing business located in South West Victoria, Australia near AHF's existing dairy farms.**
- **The growing customer base includes processing premium milk products for Woolworths and Aussie Farmers Direct.**
- **CDC is one of the few Australian dairy companies with certification for rapid clearance of fresh milk into China – 7 days from farm-gate to retailer in China.**
- **CDC management team has more than 100 years combined dairy industry experience and will continue to manage CDC post acquisition.**
- **Acquisition expected to be completed by the end of January 2016.**

Australian Dairy Farms Group (AHF) is pleased to announce it has entered into a binding agreement to acquire 100% of the shares in the privately owned dairy processing business, Camperdown Dairy Company Pty Ltd (CDC) from Aussie Farmers Direct Pty Ltd for an all-cash consideration of \$11 million.

The acquisition represents a transformational transaction for AHF to create the only ASX listed vertically integrated dairy company with fully-owned and controlled paddock-to-table-top and supermarket shelf operations.

AHF believes that the acquisition will deliver significant value and earnings accretion and provide key synergies and profit margin expansion opportunities, via the processing and distribution of a range of dairy products with strong value adding potential.

AHF currently has six dairy farms in South Western Victoria with annual raw milk production capabilities of approximately 15-17 million litres, located in close proximity to the CDC milk processing facility being acquired.

Based on AHF's assessment of the vendor's financial forecasts, this acquisition has the potential to more than double AHF's anticipated EBITDA in the 2017 financial year.

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About CDC

CDC is an established, profitable, dairy processing business which operates from a leased factory premises at Camperdown in South West Victoria. Its plant has capacity to process 36 million litres of raw milk per annum into fresh pasteurised bottled milk, yoghurt, butter and cream packaged ready for supermarket shelves or export.

Production capacity at more than a single shift is currently only 50% utilised allowing room for significant production expansion without major capital costs. Proximity to several major processors in the region ensures availability of experienced operational staff on the factory floor.

CDC has a growing blue-chip customer base which includes Australia's largest supermarket retailer, Woolworths, and Aussie Farmers Direct, Australia's largest national on-line supermarket. CDC processes Woolworth's "Farmers Own" brand of premium milk in Victoria.

It is also one of the few "boutique" milk processors which have production capability over milk, cream, yoghurt and butter as well as organic butter. CDC produces a range of dairy products under its own Camperdown Dairy brand and processes butter for the Organic Dairy Farmers Co-operative under a joint venture arrangement.

CDC also has a growing export business underpinned by its assured high quality standards to stringent Woolworths' audited requirements and the continuing growth in demand in Asian countries as well as domestically for "clean green" dairy food with traceable origins.

CDC is one of only a small number of Australian dairy companies with China Inspection Quarantine (CIQ) certification for the rapid clearance of fresh milk into China. CDC processed fresh chilled milk is currently exported under three brand names and reaches supermarket shelves in Shanghai within 7 days of being collected from dairy farms in South Western Victoria.

The growth and expansion of its Asian export operations, particularly in other value added milk products, will be a key focus for growth in the business moving forward. The security of supply from the Group's owned dairy farms will be a positive aspect in marketing the combined Group's products in Asian markets.

CDC has a very experienced management team - with more than 100 years combined dairy industry experience - led by CEO Peter Skene and General Manager Chris Melville who have renewed employment contracts as part of the acquisition. The CDC management team will continue to operate and manage CDC post the completion of the acquisition.

Acquisition Consideration

Consideration for the acquisition is all-cash in the amount of \$11 million. The acquisition will be funded by a combination of AHF's cash reserves and an expansion of funding arrangements with its banker CBA. AHF currently has three dairy farms which remain unencumbered since purchase and these will be provided as additional security.

Completion of the acquisition is expected to take place near the end of January 2016, subject to satisfaction of a number of standard vendor associated conditions precedent such as obtaining consents from landlords and certain key customers.

The Directors are comfortable that the acquisition is within the Group's current financial capabilities and cash flow needs, and do not anticipate any additional equity capital raising as a result of the transaction.

The Group continues to assess possible dairy farms for acquisition. The most opportune time to acquire additional dairy farms is in the four month period around 30 June when new calving is in progress or completed and the southern hemisphere spring season provides a plentiful supply of fresh pasture. The predicted easing of El Nino events in Australia may present earlier opportunities for additional acquisitions for the expansion of the Group's dairy holdings.

ENDS

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About Australian Dairy Farms Group

Australian Dairy Farms Group (ADFG) is Australia's first ASX listed dairy farmer. Its focus is on aggregating high quality dairy farms in Victoria, initially in the South Western region with particular emphasis on the famous Golden Triangle region between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

Australian Dairy Farms Group is listed as a stapled security comprising one fully paid share in **Australian Dairy Farms Limited** (the Company) and one fully paid unit in **Australian Dairy Farms Trust** (the Trust). Within the structure, the Company is the operator and manager of the dairy farm properties which are leased from the Trust as the registered owner