

ASX Announcement
25 February 2020

Group on track for positive EBITDA monthly run rate in H2FY20

- **Maggie Beer Products and Saint David Dairy are cash flow positive and profitable with double digit EBITDA margin percentage in H1 FY20**
- **Paris Creek Farms is on track to achieve a positive trading EBITDA monthly run rate by late H2 FY20**
- **H1 FY20 Group trading EBITDA trading loss of \$0.3m which is \$1.7m or 86% better than H1 FY19 on a comparable basis**
- **Group Head Office costs reduced by circa \$1.6-\$1.8m annualised**
- **Paris Creek Farms costs reduced by circa \$2m annualised with EBITDA trading loss reduced by c \$1m for H1 FY20 compared to H1 FY19**
- **Non-cash, non-operating impairment of goodwill for Paris Creek Farms of \$12.1m**
- **On the current outlook the group is well funded by its current assets**

Longtable Group Limited (**ASX:LON**) (**the Company**) provides the following trading update in relation to the Company's financial performance over the 6 months ended 31 December 2019.

Maggie Beer Products returned a \$1.6m trading EBITDA (14.4% EBITDA margin) for H1 FY20, 12% up on H1 FY19

The financial performance of Maggie Beer Products continued to improve in H1 FY20, with the team further refining the business with efficiencies and cost reductions. This was a pleasing result, with key Maggie Beer Products team members now also working across Paris Creek Farms. Revenue was 4% down in H1 FY20 compared to H1 FY19, with October and November trading being challenging for the business due to category changeovers for some of its key lines in a major retailer which negatively impacted revenue. This was remedied at the end of November 2020, with December 2020 performing in line with December 2019.

Trading EBITDA was 12% better in H1 FY20 compared to H1 FY19, with a 9% reduction in expenses. The improved trading EBITDA with slightly lower revenue from the previous corresponding period shows that the Maggie Beer Products business has re-set its cost base and is now in a strong position for growth.

- Maggie Beer Products is focusing on higher margin business and saw a 6% increase in its sales to independent supermarkets in H1 FY20 compared to H1 FY19.
- Maggie Beer Products launched its plant-based meals in independent supermarkets in H1 FY20 and has further NPD planned for H2 FY20
- Further growth opportunities in cheese, with its cheese range now cemented as key lines with a major retailer.
- Partnership opportunity being formed with a distributor in the USA to potentially launch some key lines in the USA in early FY21.
- The launch of the Maggie Beer Kitchen at Adelaide Airport in FY21 will create branding and marketing opportunities, as a further step into the direct retail market for the brand.

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- Maggie Beer Products continues to build on its strong relationships with major retailers in key categories of fruit paste, cheese, pate and stocks.
- The bushfires have impacted sales in January 20, but we are seeing sales start to rebound in February 20.
- Maggie Beer Products' premium food and beverage range continues to have strong demand and H2 will focus on growing the brand in existing and new markets.

Saint David Dairy continues to have a double-digit trading EBITDA margin percentage, with revenue up circa 17%

Saint David Dairy continues to expand its footprint in Melbourne and Sydney, with a 20% increase in its customer base across the café market and food service market. The business is implementing efficiencies to offset the increase of its raw milk and cream prices.

- EBITDA of \$0.5m in H1 FY20 compared to \$0.7m in H1 FY19, was still strong at 12.9% of sales, although it was impacted by price increases in raw milk and cream.
- Ageing truck fleet was replaced in February 20 to reduce delivery costs and improve margin and customer service in H2 FY20.
- The business implemented a new ERP system in December 2019, to allow it to refine its operations and unlock cost reduction and efficiency opportunities.
- Butter and cream sales revenue have increased by 24% and 56% respectively in H1 FY20 compared to H1 FY19 as its food service business in VIC and NSW grows.
- Plan to expand further into premium retail outlets.
- The business maintains its key strength of a loyal customer and supplier base
- Potential raw milk shortages in the dairy industry in general may put upwards pressure on milk prices

Paris Creek Farms' EBITDA loss improving in H1 FY20 by circa \$1m compared to H1 FY19

Paris Creek Farms' performance improved in H1 FY20 with trading EBITDA loss for H1 FY20 being \$0.8m which is circa \$1m better than H1 FY19. This reflects the cost out initiatives implemented in Q4 FY19 of circa \$2m annualised, together with sales starting to show improvement in H1 FY20 from the low in H2 FY19.

Revenue is down 2% in H1 FY20 compared to H1 FY19, however September to December 2019 tracked higher than the previous corresponding period. Paris Creek Farms has been strengthening relationships with its key customers which is showing positive signs in major and independent markets. Paris Creek Farms increased its brand awareness with expansion of the Triple Cream Camembert into more than 600 Coles stores nationally and our ambition is to increase the ranging of milk and yoghurt in retailers nationally.

- Farmgate raw milk prices increased in July 2019, with price increases implemented with retailers during FY20 in response.
- Export sales to Singapore are increasing.

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- New ERP system and revised standard costs implemented in January 2020, allowing focus on better margin business.
- The business continues to have adequate milk supply from its high quality Bio-Ddynamic Organic milk pool.
- Reduced waste in H1 FY20 compared to H1 FY19.
- Interest in organic dairy increasing from mainland China and Hong Kong with trading partnerships being formed.
- Potential raw milk shortages in the dairy industry in general, may put upwards pressure on milk prices

Paris Creek Farms continues to mature, with further work to be done to ensure a sustainable and profitable business going forward, however it is on track to achieve a positive cash flow and trading EBITDA monthly run rate in late H2 FY20.

Non-operating, non-cash goodwill impairment to Paris Creek Farms

The Group incurred a non-operating, non-cash impairment of \$12.1m in H1 FY20 relating to Paris Creek Farms' goodwill balance, reducing it to nil.

Following a review of long term revenue forecasts, key inputs in the assessment of the carrying value of Paris Creek Farms intangible assets were updated to reflect the Board's current outlook on growth, the impact of raw milk price increases, expected future milk volumes and the impact on the cost base following cost out initiatives. In accordance with Accounting Standards, growth from new product development and possible new markets and customers have not been factored in the fair value assessment.

As a consequence of this review, the Company determined the current balance of acquired goodwill for Paris Creek Farms would be reduced to nil. The fixed assets purchased with Paris Creek Farms are valued at \$14.8m

This impairment does not affect the cash position of the Company.

On current outlook, the Group is well funded to support the Group's operations

Longtable's Board have completed a review of its cash flows for the next 18 months and are confident that the Company's current cash position will strongly support the business.

Longtable Group's cash position stood at \$5.1m as at 31 December 2019.

CEO, Chantale Millard said: "We are pleased that Maggie Beer Products and St David Dairy continue to generate cash and solid EBITDA trading profit and that we can see the positive turnaround signs for Paris Creek Farms and the group. It was disappointing to have a further non-cash write down of goodwill for Paris Creek Farms, but we remain confident in the outlook for Paris Creek Farms to grow, with a sustainable cost base.

The Group has had significant change in recent months with the H1 FY20 results showing the benefits of those changes. We will continue to focus on ensuring the group achieves its

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goal of returning a positive monthly cashflow and trading EBITDA run rate by late H2 FY20, whilst reviewing and capitalising on our opportunities for growth.”

Saskia Beer

The Board and the Longtable Group would like to express their deep condolences and sympathy to Maggie, Colin and the Beer family for the tragic passing of their precious daughter Saskia and to acknowledge the wonderful contribution that Saskia made to the Australian food industry.

It should be noted that the financial information outlined in this ASX announcement assumes ownership of all businesses for the full 6-month periods for comparative purposes. The statutory accounts released on 25 February 2020 report on the financials from date of acquisition of each business.

Briefing session for investors and analysts to be held at 2.00pm AEST today.

Please dial the below number to be connected to the briefing session:

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