

ASX Announcement

Maggie Beer Holdings Limited
(ASX:MBH)

23 February 2023

H1 FY23 RESULTS UPDATE

Maggie Beer Holdings Ltd (**MBH** or the **Company**) provides the following H1 FY23 results update for Maggie Beer Products (**MBP**) and Hampers & Gifts Australia (**HGA**) (together, the **Continuing Operations**):

H1 FY23

- Net sales of \$49.9 million for H1 FY23 were 4.5% lower than the prior comparative period (**pcp**), with a strong performance in Q2 FY23 with:
 - Total net sales increasing by 4.3% in Q2 FY23 vs pcp
 - E-commerce net sales increasing by 4.2% in Q2 FY23 vs pcp
 - Retail grocery sales increasing by 4.6% in Q2 FY23 vs pcp
- 4 year net sales CAGR of 27.5%
- Gross Margin improved by 0.3% to 53.3% in H1 FY23 vs pcp
- Delivered \$5.6 million of trading EBITDA & NPAT of \$7.2 million*
- Business continues to be resilient with positive operating cashflow, \$17.4m in cash at H1 FY23 & no debt**

Dividends commence

- The Board announces the commencement of its dividend program with the declaration of a half a cent fully franked dividend per share to be paid in March 2023

Outlook for remainder of FY23:

- MBP will launch 5 new innovative cooking products nationally in a major grocery retailer in April 2023
- Launching the new “Maggie’s Living” range in e-commerce & selected specialty retail stores in time for Mother’s Day
- Continue to invest in strategic marketing to launch new products, build brand awareness, loyalty and maintain revenue

Discontinued Operations:

- Discontinued Operations (Paris Creek Farms) continue to perform in line with expectations. A final decision in relation to Paris Creek Farms is expected to be made by the Board and the incoming CEO in H2 FY23

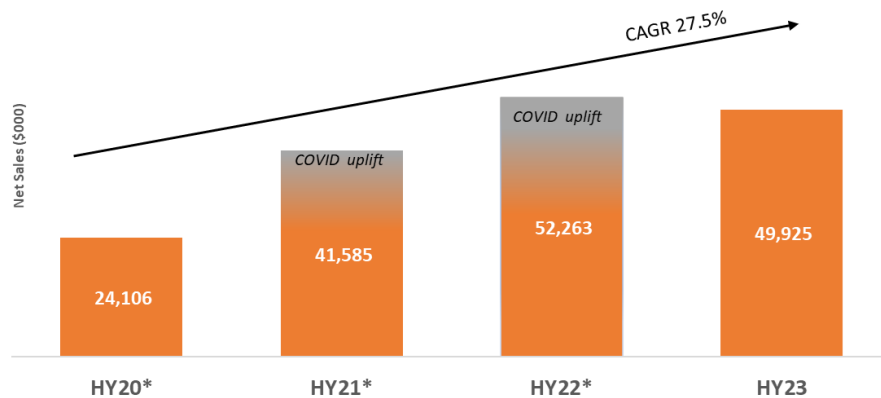
* NPAT positively impacted by the \$4 million re-measurement of the provision for HGA earn-out liability

** All debt is asset backed finance leases

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MBH Group sales growing by CAGR 27.5% over past 4 years:

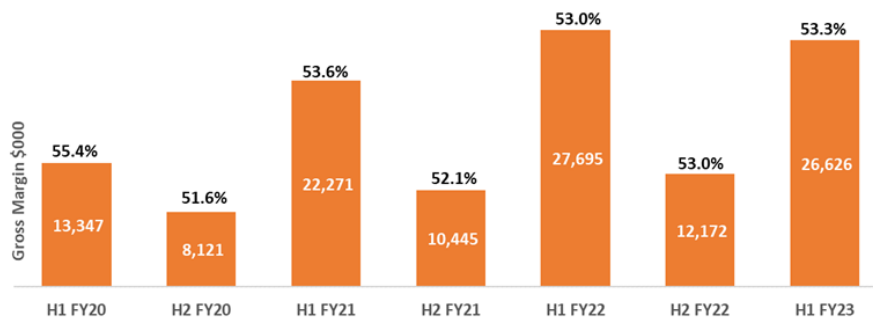
Q1 FY23 net sales did not cycle the Covid-19 uplifted Q1 FY22, however Q2 FY23 grew by 4.3% vs pcp, which has continued the growth trajectory of the Group when compared to H1 FY21.



Above does not include discontinued operations and includes HGA unaudited prior years' pro-forma results.

Gross margin continues to be strong with GM% improving by 0.3% in H1 FY23 vs pcp:

The Group continues to maintain its GM%, despite ongoing cost pressures, delivering further efficiencies in production and implementing strategic price increases.



Above does not include discontinued operations and includes HGA unaudited prior years' pro-forma results.

Retail grocery sales growth underpinned by new product launches and increased ranging

With the success of its current cooking category, MBP will launch 2 new 1L Cooking Stocks and 3 new Finishing Sauces nationally in a major retailer at the end of April 23. These new products will take the cooking stocks, bone broths and finishing sauces range to 12 products ranged nationally in major retail and independent supermarkets.

MBP will also launch two new non-alcoholic sparkling drinks, a Sparkling Moscato and a Sparkling Prosecco, which are in addition to its existing non-alcoholic sparkling range and will further tap into the non-alcoholic trend in which the MBP brand was a pioneer. MBP will also be launching an innovative new fruit paste and vegetarian pate for Easter.

These new products are aligned to the growing trend of consumers entertaining and cooking more at home and again highlights the strength of our brand, our new product development & innovation process and our strong customer relationships.

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E-commerce to grow with new product ranging and fast-growing chilled offer

The launch of our chilled range of cheese and entertaining hampers in March 2022 has proven to be very successful with over \$2.2 million in net sales in H1 FY23. We are reviewing other verticals that can be offered through this coveted chilled home delivery channel, which will drive further growth.

MBP and HGA will be launching a new “Maggie’s Living” range which will showcase a range of individually developed and hand-picked cooking and kitchen products. This range will be sold on-line by MBP and HGA and will also be sold in specialty retail, launching in time for Mother’s Day.

Optimising our large e-commerce customer base and sales channels

After upweighted investment to grow our customer base and revenue in H1 FY23, the Group is now focussed on new marketing initiatives that will extract value from its large 900k plus engaged customer base, that will grow earnings in FY24.

The Group’s new Corporate Sales team increased Corporate Sales by 7.5% in H1 FY23 vs pcp, which is a solid result in what was a tough corporate sales market. With a new team established at the end of Q1 FY23, there is plenty of upside to our corporate sales and growth in this channel will also improve our return on advertising and marketing.

Provision for earn-out liability HGA

The HGA transaction has been EPS accretive and cash flow generative for MBH and has diversified MBH’s revenue base to now be approximately 60% e-commerce and 40% grocery retail, giving us a large direct to consumer base.

The purchase of HGA included a provision for an earnout payment to the Vendors, which is triggered if HGA achieves \$10m in trading EBITDA for FY23 and included a base earnout payment of \$10 million, together with a sliding scale to earn a maximum of \$15 million with every additional \$1m of trading EBITDA achieved over the \$10m. The provision made for the earnout liability on the purchase of the HGA business was \$14 million. Any earn-out will be paid 50% cash and 50% MBH shares.

As part of the assessment of the earnout provision at 31 December 2022, it was decided to revalue the earnout provision from \$14 million to \$10 million. This \$4 million re-measurement has positively impacted the NPAT for the Group in H1 FY23.

HGA trading in H2 FY23 will determine if any earnout will be payable by MBH to the Vendors, at the conclusion of FY23.

Higher costs in H1 FY23

The Group’s H1 FY23 trading EBITDA was impacted by higher advertising & marketing, freight and labour costs. Investment was made in advertising and marketing to launch new products, drive brand awareness and increase sales in retail grocery, whilst the e-commerce business used a mix of paid advertising, TVCs on Foxtel, advertising on YouTube and high frequency radio to build brand awareness, brand loyalty and increase its e-commerce sales by 4.3% in Q2 FY23.

Freight and advertising costs are expected to remain elevated in H2 FY23, with fuel levies and natural disasters impacting freight rates.

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In a tight labour market, we have continued to invest in our people, which gives us a solid base for growth. The structure is now in place to execute growth plans.

Paris Creek Farms

The Board is continuing to evaluate the best outcome for Paris Creek Farms with ongoing discussions with potential purchasers and joint venture partners. At the same time, the Board and Management are reviewing the viability of Paris Creek Farms becoming a more substantial and efficient cheese production facility, to protect and support the MBP and HGA cheese growth requirements. The MBH Board and new CEO expect to provide a further update to shareholders in H2 FY23.

Commenting on the Company's performance, outgoing CEO Chantale Millard said:

"Against a challenging and changing economic environment, the MBH group has performed strongly for the first half of FY23. The Group has been investing in our brands and has some exciting new products launching in H2 FY23, which are aligned to the trend of people returning to home cooking and entertaining as discretionary spending slows. MBH's brand strength, diversified revenue streams, and strong cash position means it is very well placed to weather any sustained economic headwinds.

"MBH now has a solid foundation in place, ready for its next phase of growth, which can be funded by the Group's strong cash flows and balance sheet. Based on our confidence in our business model, the Board has announced the commencement of its dividend program with a fully franked dividend of half a cent per share. This dividend is intended to reward our shareholders whilst still providing balance sheet flexibility to support the growth initiatives and ambition of the incoming CEO.

"With new CEO Kinda Grange starting with MBH on 1 March 2023, we have a thorough handover process in place as I transition from the business after a wonderfully rewarding and challenging eight years, and I look forward to seeing MBH execute its next phase of growth."

Investor briefing being held today at 9.00 am AEDT

Details of the call are as follows:

<https://bellpotter.zoom.us/j/87280216763?pwd=cTNleWlvQ00wcDN2YTNEb2dZbmMwZz09>

Meeting ID: 872 8021 6763

Passcode: 776272

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Authorised for release by the Board. For enquiries please contact:

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